CREDIT and FINANCIAL MANAGEMENT

Vol. 35, No. 4 APRIL, 1933 Established 1898

BANKS AND BANKING

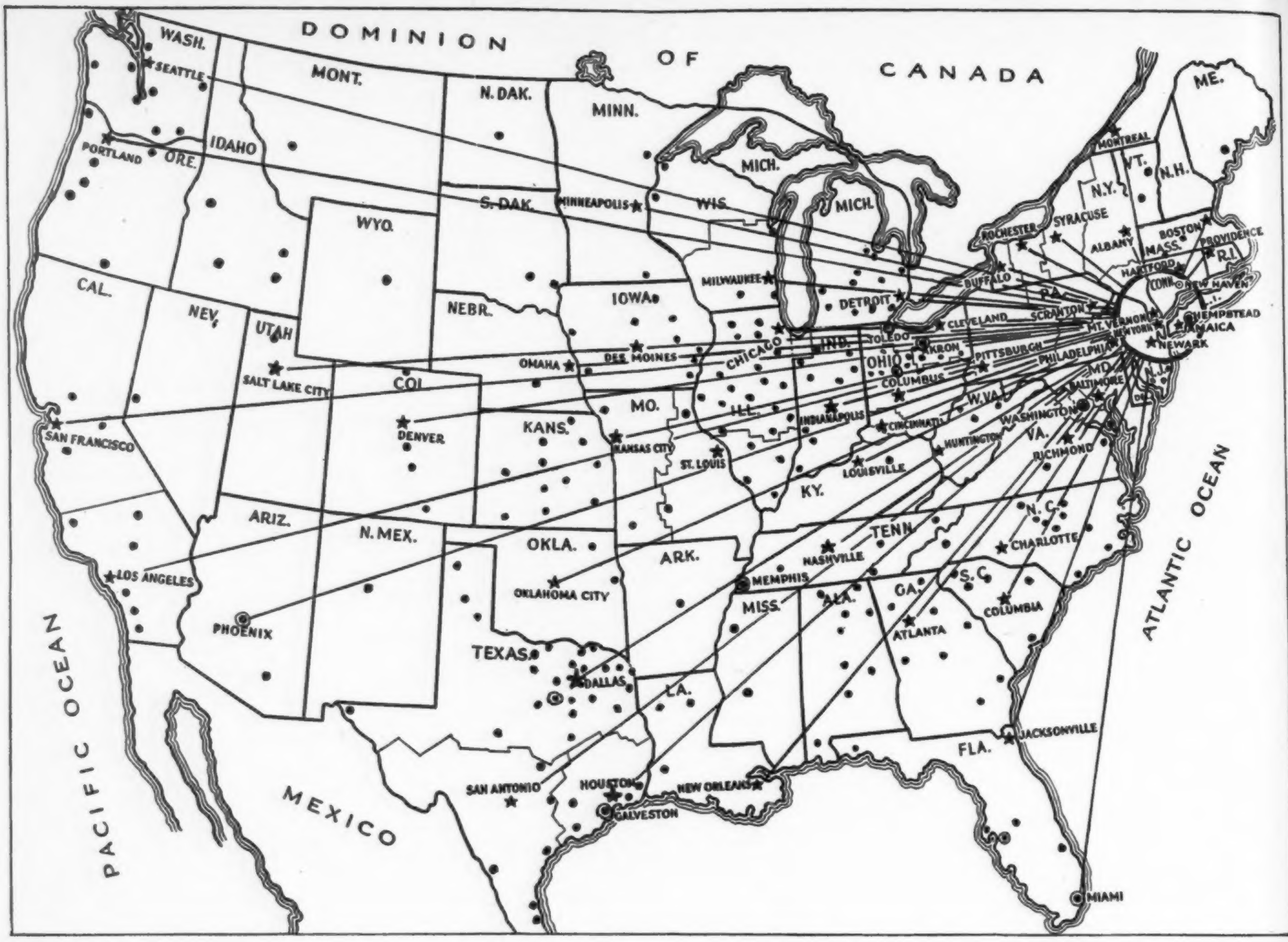
BANKING BIOLOGY - - - - - HENRY H. HEIMANN

FOR THE DEFENSE - - - - - CHARLES F. ZIMMERMAN

BRANCH BANKING SURVEY - ECONOMIC CREDIT COUNCIL

A CALL TO CREDITORS - - - - - - MERRITT FIELDS

MILWAUKEE - - CONVENTION CITY - - JUNE 19-22



★ Indicates Branch Office ⊙ Sub Office ● Direct Reporting Station

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There is no direct liaison between the Credit Manager and the risk. The two never meet. Time and distance prevent personal contact, yet the Credit Manager must know the risk.

To obtain information at any given place and relay it to the proper destination in an efficient and dependable manner requires a nation-wide organization, trained and equipped for the task which is involved.

The Hooper-Holmes Bureau provides an indispensable, unbiased liaison between Credit Manager and risk. There is no feeling for one or against the other. The Bureau's widespread, efficient Inspection Service supplies the missing link.

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102 MAIDEN LANE, NEW YORK

First Principles

In Credit Services

If the principle is wrong the procedure cannot be right—particularly in credit services. During the coming year you are going *to get results* in your credit work providing you base your credit policies on first principles and sound fundamentals.

An intelligent credit service recognizes that the greatest opportunity for credit executives lies in the development of effective cooperation; that effective cooperation followed by intelligent, concerted action must be predicated upon common knowledge. Not on rumors, assumptions, third-party guesses and opinions—but on facts! This type of credit service concedes that outside parties cannot decide credit policies for any individual enterprise, and certainly not for *all of them*.

The credit service that is based upon first principles keeps abreast of the times rather than waiting until conditions force changes, and then adopting them only for its own salvation.

One of the most important first principles is that there should be only one medium for the exchange of ledger experience information between creditors. This is a medium which credit executives control, and in which the policies and methods of service are under the direction and management of credit executives themselves.

It is based upon the fundamental principle that its only purpose for existence is service to its members and not profit to individuals. It is a service organization which is not selfish nor dictatorial either as to price or service. Through all economic conditions and experience this credit service has emerged as the most effective method in the country today. Other organizations are now turning to this type of information because they have found that their old and long standardized procedures are obsolete and ineffective.

The responsibility for this type of credit service must be kept where it belongs—with credit executives and their own professional organization. Duplications of this medium will inevitably mean millions of dollars of unnecessary credit expense and hundreds of millions of unnecessary bad debt losses. That is too high a price to pay for the purpose of allowing profits to individuals and privately owned organizations.

Your Credit Interchange Bureau, through you, established the basic principles which must prevail if there is to be effective and intelligent cooperation in the field of credit. It will be to your profit to resist actively any move looking to the destruction of that cooperation which is only made possible by your Credit Interchange Bureaus.

These are plain, unvarnished facts recited here not as sales propaganda but in the protection of the first principles and essentials of sound credit policy and practice. These principles must be fully endorsed and supported by every alert thinking credit executive.

Credit Interchange Bureaus

National Association of Credit Men

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Looking ahead

A legal reserve for industry—why not? That's the question posed by Richard M. Lambert in our May issue. Other articles will include the Latin-American credit and collection survey by W. S. Swingle, the regular national sales and collection survey, Milwaukee convention news and notes, and a timely article on inflation of interest to all credit executives.

Our cover

In the recent bank runs many forgot that deposits are approximately ten times greater than currency. That's why runs close banks. And that condition is portrayed in this camera study by Paul Haase from the Old Masters' Studio, New York.

CREDIT and FINANCIAL MANAGEMENT

CHESTER H. McCALL
Editor and Publisher

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Paul Haase
Managing Editor

F. M. Ferguson
Business & Circulation Manager

Clifford T. Rogers
Advertising Manager

Charles B. Blount
New England Representative

Philip J. Gray
Western Advertising Manager

Official Publication, National Association of Credit Men, One Park Avenue, New York, N. Y.

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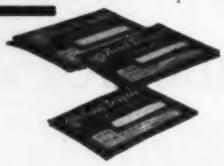
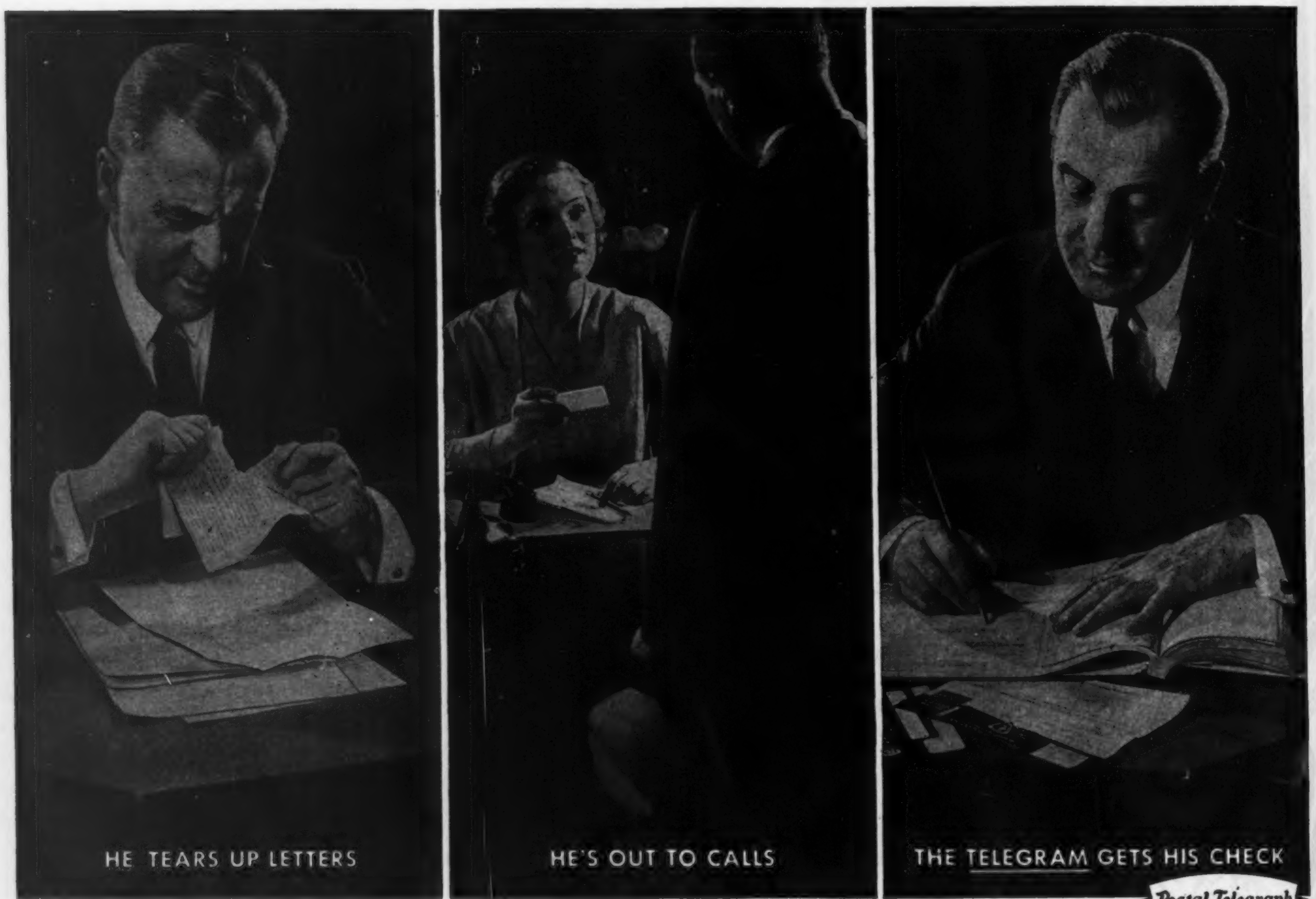


POSTAL TELEGRAM

cleans up 96 accounts...out of 100



First two brought checks from 400 out of 500

● Since the Postal Telegram has proved its efficiency as a first-rate collection medium, the question is asked: How many telegrams should be sent to delinquent accounts?

Postal Telegraph, collaborating with a group of experienced credit men, set out to find the answer. 500 overdue accounts were tested. Personal calls had been fruitless. The regular series of collection letters had failed. More drastic action seemed to be in order.

So, Postal Telegrams were dispatched. Of the 500...329 brought answers. After some days had elapsed, a second wire was sent to the 171 remaining accounts. Response came from 71. Finally, a third telegram was sent to the delinquents not yet heard from, with the result that the indebtedness was cleared up in no less than 96 accounts out of these remaining 100.

Here is ample proof that the Postal Telegram can be tactful and at the same time persuasive...pleasant and yet terse, forceful, businesslike...ample proof that it can *get action!*

Consult your local Postal Telegraph representative about the economical "book" method of making collections.

Postal Telegraph is the only American telegraph company that offers a world-wide service of coordinated telegraph, cable and radio communications under a single management. Through the great International System of which Postal Telegraph is a part, it reaches Europe, Asia, The Orient over Commercial Cables; Central America, South America and the West Indies over All America Cables; and ships at sea via Mackay Radio.

Postal Telegraph

Supplementary Services

Air Express Pick-up and Delivery
Air Travel Reservations
Bus Express Pick-up and Delivery
Bus Travel Reservations
Circular and Sample Distribution
Errands and Package Delivery
Gift and Purchase Service
Marine Reports
Money Order Service
Personal Service Bureau
Theatre Ticket Service
Transmission of Photograms
Telegrams Direct from the Highways via Standard Oil and Colonial Beacon Gas Stations

THE INTERNATIONAL SYSTEM

Postal Telegraph

Commercial Cables — Mackay Radio — All America Cables

When writing to Postal Telegraph, please mention Credit & Financial Management

Carbon copies

Carbon copies of letters are vitally essential to the routine operations of business. But carbon copies of ideas are insidiously destructive and enervating to vital business progress. I doubt that a better designation can be given to a host of business practices and methods than *carbon copy procedure*.

Carbon copy procedure, for purposes of analysis, might be divided into carbon copy thinking and carbon copy action.

The most prevalent type of the carbon copy thinker is the "yes-man". He says what he thinks the boss thinks instead of what he himself thinks. But the "yes-man" always has a negative complex. It isn't "saying no" that prevents him from being a "yesser"—it is the soundness of his reasons for saying no. In one week I had the opportunity to sit in a conference with the same group of men on two different occasions. At the first meeting the chief executive presented a proposition, giving his reasons for its adoption. He asked in turn the opinion of every man around the table. Only one man said "no" and he had sound arguments for his negative response.

Three days later, at the second conference, the chief executive predicated the statement of his ideas by saying, "I don't want you fellows to be "yes-men". If you disagree say so." In turn he asked the opinion of each man. With two exceptions everyone said "no". But when he took up each objection individually not a single dissenter could justify his negative response. That was carbon copy thinking *de luxe* and explained to me why this particular organization was beset with difficult administrative problems.

Political expediency within a business organization often forces individuals to assume the rôle of "yes-men". There may be one or two ranking officials, apparently having inside influence with the chief executive, who resent any disagreement with their ideas on the part of other men in the company. They know that any frank disagreement with such an official's plans or ideas will incur his ill-will and, perhaps, jeopardize the security of their jobs. They allow their opinions to become carbon copies of the opinions expressed by the officials whose false prerogatives they do not care to challenge. Certainly it is the duty of every chief executive to find out if such a condition exists in his company. If it does, it is mental dry-rot that must be eliminated immediately. The individual who, because of such cases of political expediency, allows himself to become a carbon copy talker will generally find that a *show down* will *show up* the source of trouble and bring about an immediate correction of difficulties. It may be a risk but in the long run such risks always pay dividends.

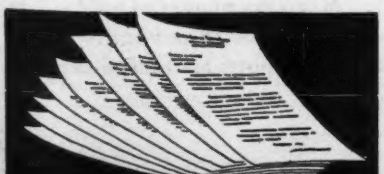
Carbon copy action may even contribute greater deficiencies and evils than carbon copy thinking. The conference and the committee provide the mechanism for carbon copy action. It is amazing that so many executives look upon the conference or committee meeting as a medium for decision rather than discussion. In a business organization, dealing with specific, concerete problems, the legislative voting method will not work. Consider a conference and its procedure. A problem is presented for discussion and analysis. After considerable talk and scores of pros and cons, the responsible executive takes a vote. There are seven ayes and four nays. The seven affirmative votes have made the final decision. After listening to all of the ideas and arguments of the conferees, the responsible executive should dismiss the conference and make his own decisions. Conferences should be informative rather than conclusive, discussion rather than decisive. Carbon copy action, in this and numerous similar ways, is one of the greatest deterrents to executive and administrative success.

Defense tactics are characteristic of carbon copy procedure. A company that doesn't improve its product or service until forced to do so by original and aggressive competition; a man who doesn't give his best to his job until the competitive abilities of another make his position less secure—these are second-hand, defensive carbon copy characteristics altogether too prevalent today.

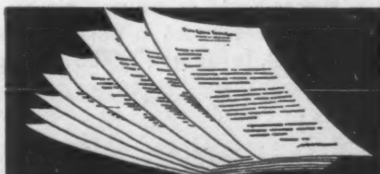
Constructive progress by capable men is often impeded by the committee and conference system. Aggressive action is delayed and restricted by the whims and prejudices of a group of men gathered in a conference. The executive who can't decide anything without calling a conference is a carbon copy executive. He may have his ideas of what should be done, but he wants them reinforced by a chorus of "yesses" from men who are supposed to be sound and competent advisers.

The conference and committee system as it is often handled in a business organization gives the partially informed and incompetent an almost equal voice with the capable and competent. In one company seven executives were called into conference on a new sales policy. The five financial and operating executives disagreed with the sales and advertising managers. Their will predominated and the company lost money that year. The following year the president of the company told the two to carry through their ideas. The company made a net profit of $220,000!

As every company faces the exacting problems of the coming year, it can guarantee a greater measure of progress by eliminating as much carbon copy procedure as possible. There is no getting around the fact that it is an insidious evil. Theodore Roosevelt defined a good executive as one who had sense enough to pick the right man to do the job and self-restraint enough to let him alone while he did it. A policy of this kind insures maximum progress—it frees capable men from the obstructions and hindrances of the conference and committee system.



Chester H. McCall



The business

a compilation of business and

Straws in the wind

Blow hot, blow cold—the following straws indicate the strength and direction of the trade winds in recent weeks:

AUTOMOBILES: The number of passenger automobiles registered in this country in 1932 was almost two million less than the number in 1929, declares the Cleveland Trust Company. In that year there were over 23 million passenger cars registered, and each year since there has been a progressive reduction until in 1932 there were only a few more than 21 million. The decline from 1929 to 1930 was only about 60 thousand. That from 1930 to 1931 amounted to over 700 thousand, from 1931 to 1932 the reduction was almost one million two hundred thousand, and these reductions make up the total of two million.

In the table at the foot of the next page the figures show in thousands the number of new passenger cars sold in this country annually during the past 13 years, the registrations, the cars replaced, those in use at the end of the year, and the net increase. The figures of registrations are commonly cited as representing the number of automobiles in use, but of course that is not so, for each car that drops out of use during the year is also included in the registration of that year, and must be deducted in estimating the number of cars actually in use. That is the reason why no numbers appear in the lowest line of the last three columns of the table. We know how many cars were registered last year, and we know that many of them were registered for the last time and are among those scrapped in 1932. Unfortunately there is no reliable statistical method by which to estimate how many cars actually were scrapped and replaced in 1932 until we have the production figures, the export and import figures, and the registration data for 1933. The diagram in the center shows in millions the number of cars registered each year since 1919, and the shaded area represents those scrapped and replaced each year through 1931. The lower line on the under side of the shaded area shows those remaining in use at the end of each year. The upper small diagram on the right shows how the net increase in the number of cars in use has fluctuated, with sharp dips in the depression year of 1921, in 1927 when the Ford works were shut down, and again in the depression years since 1929. The most noteworthy feature is that in 1931 there was no increase in the number of cars in use, but an actual decrease, as there was also in 1932, although we do not yet know how great that decrease was.

BANK CLEARINGS: Due to the fact that figures do not represent a full week's operations, bank clearings for the week ended March 15 show a decline of 50.9 per cent from the full period of last year. The total was $2,253,223,000, compared with $4,593,549,000 last year.

CAR LOADINGS: Loading of revenue freight for the week ended on March 11 totaled 437,813 cars, according to reports filed by the railroads with the American Railway Association. This was a decrease of 40,014 cars under the preceding week this year, 137,668 cars below the corresponding week in 1932 and 296,448 cars under the same period two years ago.

ELECTRIC POWER: Electric output in January totaled 6,476,933,000 kilowatt hours, compared with 6,993,464,000 in the same 1932 month, a decline of 7.4 per cent, according to the Edison Electric Institute. Total energy for distribution, including imports, etc. was 7.6 per cent less.

OIL PRODUCTION: Daily average crude oil production in the United States showed a drop of 32,050 barrels a day in the week ended March 11, the American Petroleum Institute reports. The decline in the country-wide average was made possible by a cut of 62,600 barrels daily in Oklahoma, which was offset in part, however, by increases of 19,300 barrels daily in coastal Texas and 9,700 barrels daily in California.

Co-ordination is required for American currency as much as for American banking. Wall Street has hitherto not dared to hope that such a fundamental reform would be attempted. But indications are that coming legislation will move toward this end, the "Christian Science Monitor" predicts.

The need is simply stated. The entire currency should be unified in the Federal Reserve System. We will call this reform No. 1.

At present the currency is divided into two main classes: Federal Reserve notes and Treasury issues. The former is the more important. It represents about three-fifths of the outstanding currency and has the attribute which is not represented by the other, that it is elastic. Thus it has the most to do with the financing of the country's small change business. The fact that the Administration seems to have chosen the Federal Reserve note as the medium with which to replace hoarded notes is a development which gives ground for the hope of currency unification under the auspices of Federal Reserve currency.

Treasury notes are subdivided into several different issues. Look in your wallet and if you are fortunate enough, nesting side by side with Federal Reserve notes there are gold certificates, silver certificates, United States notes or national bank notes.

They are all governed by different laws or gold cover regulations. The gold certificate is a warehouse receipt for a gold dollar. It is covered by 100 per cent gold. A silver certificate is a warehouse receipt for a silver dollar. Unlike the silver dollar, however, it is not even legal tender, according to a ruling of the Supreme Court.

It is simply exchangeable for a token coin which at the present low price of silver is intrinsically worth about 25 cents. A United States note is a survival of the greenback, against which past generations used to inveigh so vehemently. A certain amount of gold is kept back of it—about 50 per cent. Finally national bank notes are backed solely by

thermometer:

financial trends and indications

United States Government bonds deposited in the Treasury. What a patchwork of currencies!

In normal times few people ever bothered to discriminate between these notes. A dollar is a dollar—that is all there is to it. They are acceptable at par with each other for two reasons: first the law making them interchangeable; secondly confidence. The sign of the recent breakdown in confidence was the discrimination exercised in favor of gold certificates.

This brings us to reform No. 2. Wall Street assumes that the gold standard will not be abandoned. If this is the case, then steps should be taken to prevent any recurrence of an internal leak of gold in circulation. The currency system of the United States, has encouraged this leak. This it has done in two ways:

(a) By the provision which allows for the circulation of gold coin.

(b) By the provision that allows for the redemption of currency in gold coin.

The United States is, perhaps the only country left where gold is in circulation. One doesn't see the metal itself. In normal times people wouldn't be bothered with it. They prefer paper. But the circulation of gold certificates, with their 100 per cent gold coverage, is equivalent to the circulation of gold.

Few, if any other, countries moreover permit the redemption of currency in gold coin. When Britain resumed specie payments in 1925, she adopted the gold bullion standard. Other countries followed suit. That is, the only gold that was handed out took the form of gold bars, valued at several thousand dollars apiece. Such a step, if adopted in the United States, would put a brake on the activity of the gold hoarders.

A final reform has already been mentioned in Washington. This is that the gold cover requirements for Federal Reserve notes should be waived. Whether this is temporary or permanent is not stated. It appears to be inevitable for the present. Withdrawals of gold and currency recently were so high that the Federal Reserve ratio of gold holdings to its note issue was probably below the requisite 40 per cent already. Gold could have been released from the minimum reserve on payment of a graduated tax by the Reserve bank. But the lowering or the abandonment altogether of the ratio system is considered the better way.

The hope is entertained now that this will be a permanent reform. It is no radical step. The agenda for the World Economic Conference contains such a recommendation.

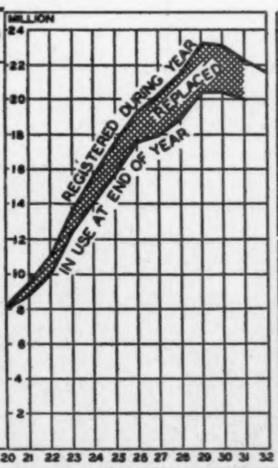
"Experience during the past few years," says this (*Continued on page 29*)

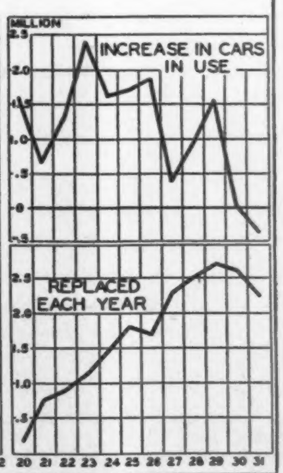
U. S. Dept. of Commerce Chart (r.) 1923-25 = 100. Chart below from Cleveland Trust Co.

PASSENGER CARS

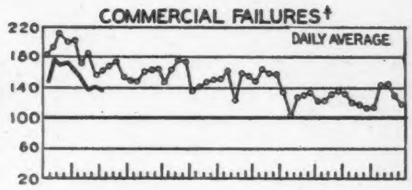
Year	New cars added	Cars registered	Replaced	In use at end of year	Gain in cars in use
1920	1,764	8,226	155	8,071	1,609
1921	1,412	9,483	731	8,752	681
1922	2,208	10,960	919	10,041	1,289
1923	3,469	13,540	1,114	12,426	2,385
1924	3,035	15,461	1,456	14,005	1,579
1925	3,492	17,496	1,805	15,691	1,686
1926	3,546	19,237	1,676	17,561	1,870
1927	2,658	20,219	2,288	17,931	370
1928	3,448	21,379	2,506	18,873	942
1929	4,249	23,122	2,695	20,427	1,554
1930	2,632	23,059	2,608	20,451	24
1931	1,897	22,348	2,268	20,080	-371
1932	1,094	21,174			

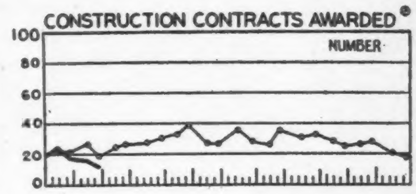
All figures in thousands

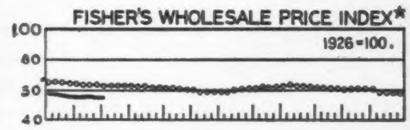


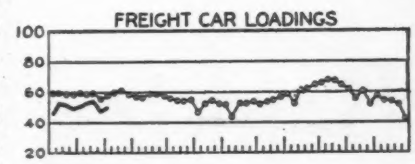


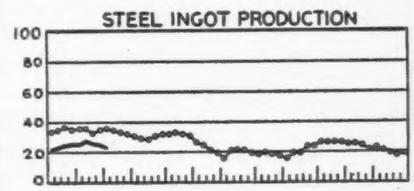
Commercial



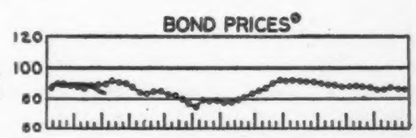


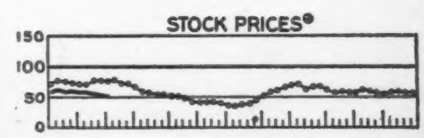


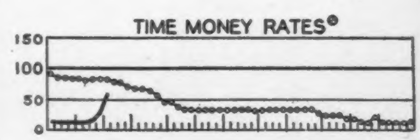


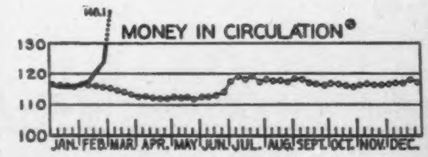


Financial









Banking biology

by HENRY H. HEIMANN, Executive Manager, N. A. C. M.

An apprenticed draftsman was proudly exhibiting a drawing of his creation for a proposed new bank front. The chief of the drafting department, a man with years of experience, looked it over rather critically, suddenly reached for his dreaded blue pencil, and with two bold strokes rejected the entire design.

Those of us who knew the older man realized the cub was in for a lecture. "It's too delicate, I tell you," the supervisor began. "Make it substantial, make it massive—massive as a mountain," he emphasized. "When you design for a bank front think in terms of majestic stone columns, heavy caps, large massive bronze doors, with oversize hinges. Stability, that is the suggestion that a bank front wants to convey."

Stability: the suggestion in architectural design for a bank front—the objective of all future banking. Stability and service. Do not overlook service, since a bank is organized for service even though the last two years might indicate its function was to demand liquidation.

An architectural design for a bank no doubt should be substantial in appearance. The question that would suggest itself is whether there hasn't been too much thought given to the huge columns, with their heavy, ornate caps, and too little to creating a substantial interior. How about the human construction. Those who are critical and inclined to run with the mob have suggested the burglar alarm was on the wrong side of the wall in certain banks. As a general indictment, obviously this statement would be most unfair. Bankers are human beings. They err, as the past few years have demonstrated. But why arraign all bankers because a few have strayed from the beaten path. There are many honest bankers who have gone down in a heap fighting with all the courage they possessed. Their collapse has in many instances been due to the lack of courage on the part of their depositors.

Imagine ten men trying to squeeze into the compartment of a revolving door at the same time. Not only would it be a scramble, but someone would be hurt. Indeed, most likely they would all get bruised. A revolving door compartment is only intended to accommodate one at a time.

Now, picture the banking situation. The banks had fifty billions of deposits, and normally there is only five billions of currency in circulation in the United States. Isn't it just as ridiculous for each and every depositor to expect that he could demand his deposit in currency as it was for the ten men to rush for the one compartment of the revolving door? If depositors were able to get all their bank deposits in currency there would be no need of a bank. Indeed, there would be no banking. All that would be needed would be a public warehouse, and the depositors would pay storage charges.

Bank deposits are not currency—that is a fundamental, and yet it is little understood. They are credits built up step by step. When the building process is sound you have a permanent structure, one that is safe and will withstand the elements of time and unnatural forces. When it is unsound, the structure crumbles when put under strains and stresses.

When we speak of fifty billions of deposits in banks we speak of a structure of credit. You may need a thousand dollars. The bank may appraise your credit as entitling you to the thousand dollars. The bank usually gives you no currency, but credits your account with a thousand dollars. By this transaction the bank has actually increased its deposits $1,000, yet there has been no money taken in or out of the bank. Now, let nine of your neighbors go through this same transaction and you have bank deposits increased by $10,000. If ten of you are doing business among yourselves and use checks for settlement, you can actually transact business without calling on the bank to pay out a penny. You would be checking on the credits the bank had established. Suppose, however, that everyone suddenly decided to pay in currency and marched down to the bank to get it. Well, you just couldn't get it because the bank hasn't that much currency. If it did have it, and every one was to pay in currency the bank would never have given you the credit. You wouldn't have had a need for it.

Perhaps this sounds simple and fundamental. It *is* simple and fundamental, and if the average depositor understood it better there might have been less of depositor frenzy and fewer closed banks. Bear in mind I hold no brief for the mismanaged bank, but there have been many good banks, the personnel of which was of high moral character that

went down in a heap because of the lack of faith of depositors, and because of the stresses of such unusual nature that were placed upon the banking structure during these days of drastic deflation.

Why should the average man know much about the facts of banking? Hasn't banking always been pictured to him as something mysterious, obstruse, something difficult of understanding? Whoever heard of the A B C's of banking? Indeed, banking was supposedly far beyond any A B C interpretation.

But there is less of mystery and more of misery about it today. Less of reverence and more of revolt, less of confidence and more of condemnation. The banking business, to use a street term, has been "put on the spot." That is not an unfamiliar place for it, as the history of our country clearly records.

Banking tragedy at the moment is written throughout the land. Many banks will never reopen until they are thoroughly reorganized. Capital and surplus have long since vanished, save and except for the ink record of it that continues to appear upon statements in response to a summons from the Comptroller or Banking Commissioner. A number of banks will simply liquidate. A minority of them, to be sure, but still a sizeable number. The banking holiday is passed, and some banks that were open before the holiday, now awake and find that it is the "morning after," and they may not reopen.

Perhaps all this is tragic enough, but what would be worse would be to emerge from this situation without benefiting from the experience that we have had. Unless we can profit from our past banking mistakes then the cost will indeed have been tremendous. Certain weaknesses, certain deficiencies that must be corrected are clearly revealed in the banking history of the past few years.

When you speak of banking in the United States the first story that usually greets you is the efficiency and safety of Canadian banking, or of European banking. Because of our proximity to Canada, the banking system of the neighbor on the north is held up as a model for banking practice. Canadian banking is safe. Make no mistake about that. The question that confronts us is whether we, in this nation, want to pay the penalty that accompanies certain safety in banking. If we do then the Canadian system of having only a small number of banks, with their branches, is the system that we should adopt. If we do adopt it, do not expect this nation to make the progress it has made in the past.

Perhaps we have set too fast a pace in the past. We all know we have stubbed our toes and suffered considerably. Perhaps it is the race of the hare and the tortoise all over again, and in the mad scramble we have wasted so much time and lost so much motion that the more conservative banking system in the long run will develop the country with equal rapidity. I do not think so. With the Canadian banking system you could never have developed this nation to its present position in so quick a time. Let's be fair about banking. It is a fact that liberal banking in certain instances has actually built up a community. The sum total of the misery and the tragedy that it has left in its wake must be weighed very carefully against the long-range contribution it has made by way of development. The ideal objective, of course, is to have sound banking and still serve the community.

Now as to European banking, bear in mind that in Europe there is no diversity of banking demand such as exists in this nation, and it is questionable whether European banking would fit our needs. Traditionally, European banking is of a different type than that which we have had. Some of our banking practices of the past have not been sound, but I do not quite submit to the conclusion that we must revert back to the conservative banking of Europe. I still contend that this nation is too young to pay such a price for safety, although we must try to meet the banking service demands without running so large a risk.

Next we hear from those who advocate branch banking. Undoubtedly some legislation must be enacted that will permit of branch banking, not necessarily nationally, but by trade areas, Federal Reserve Districts, states or cities. But do not rest under the delusion that branch banking is *inherently* sounder than are individual units in the banking field. When the branch banks are met with demands that individual units must meet, and should these be concentrated at all branches of the banking system represented by the branch banking house, branch banking has not fared better than individual banking. The answer has not been in the banking system as much as it has been in the *(Continued on page 27)*

The Heimann plan for bank reform:

The principle:

Sound banking does not rest upon any particular system. It rests entirely upon sound management, intelligent banking laws, and sane regulation.

The 14 points:

1. Careful selection of personnel.
2. Fewer banks.
3. Closer survey of banking need before granting a charter.
4. Higher minimum capitalization ($50,000 to $100,000).
5. Collection of double liability in advance, with the extra 100% invested in public bonds and interest payable to the stockholder, but principal available at once for depositors if needed.
6. No governmental guarantee of bank deposits.
7. Mutual protection by prepayment of contingent 100% liability of original bank subscriptions into a fund, administered by public authorities, to act as a liquidating fund if needed.
8. Liability of directors must be strictly understood and enforced.
9. Complete divorce of commercial banks and security affiliates.
10. Segregation of deposits into commercial and savings groups.
11. Development of more commercial paper.
12. Widening of Federal Reserve rediscount privileges and limitation of call loans.
13. Closer coordination within the banking industry.
14. More intelligent bank statements.

Truthful operating statements

Fair financial statement and good operating statement are often considered a better credit risk than good financial and poor operating statements.

Financial statements reflect results of operations; operating statements reveal how these results have transpired.

by Rhae M. Swisher, C. P. A., Hammond, Ind.

The Operating Statement is as important in the appraisal of credit as is the Financial Statement. In fact, many credit men consider it more important. From the operating statement, the credit man seeks to determine whether the capital of the risk under appraisal is being impaired or enhanced.

The trade creditor grants credit only when he feels confident that the debtor is capable of managing his business in such a manner as to pay his creditors currently and in order to do so the debtor must be capable of managing the capital loaned to him by his creditors as well as he manages his own capital. The financial statement reflects what the results of his operations have been from time to time but in order to know how these results have transpired the operating statement must be considered. A credit risk with a fair financial statement and a good operating statement is considered by many credit men to represent a safer risk than one whose good financial statement is accompanied by a poor statement of operations.

The investment creditor has in the past given much greater consideration to the operating statement than he has to the financial statement. In fact, the single item of "Net Income" has been the most important item on either the financial or operating statement. The result has been that much more manipulation of the operating statement has been attempted in investment circles than of the financial statement. Ratios have been secondary to "Net Income."

The operating statement in its usual forms requires as much analysis on the part of the credit man as does the financial statement if it would be understood sufficiently as a guide to credit appraisal.

In this discussion the writer would suggest as a definition that a statement of operations is a reflection in terms of money of the usage to which the owned and borrowed assets of a capital entity have been subjected during a stated period of operations.

In a previous treatise in which the "Circulation Theory" was offered as the true basis for the reflection of the financial condition of capital entities the writer called direct attention to the fact that certain of the assets contained in the usual Balance Sheet were "Non-Circulating Values" and were therefore not working capital, and contributed nothing in the form of utility to the operations in which their owner is engaged. That theory was first advanced by Adam Smith, the world's first economist who said that "capital is that part of a man's stock which he expects to yield him a revenue."

Then, an operating statement, to truthfully inhere such a caption should reflect the results of operations from the standpoint of the basic principles of economics. The economic costs of production or of doing business are basically *only* those costs of owning "Circulating" assets or, in other words, the costs of owning those assets which are in reality contributing value to the current operations of a business enterprise.

The usual statements of operations now in use are truthful statements of the usage to which the owned and borrowed assets are subjected *only* if *all* of such assets are "Circulating." It seems strange that when credit has receded to a low ebb so little attention has been directed toward the advantages of truthful reflections of operations which in many instances would minimize losses or even eliminate them in order to rehabilitate credit, when in other days such statements were subjected to many forms of distortions in order to maintain credit.

Althought the direct result of operations is that result attained by reckoning only the costs of "Circulating Assets" the final profit or loss must be determined by deducting the costs accruing currently because of owning "Non-Circulating Assets." Such are items as taxes, insurance, and necessary maintenance. *They do not include depreciation or amortization of "Non-Circulating Assets."*

Depreciation in terms of economics is that actual shrinkage of value which occurs between two given dates. Depreciation in terms of accounting is an allocation of the costs of a fixed asset over subsequent periods of operations. Wheras the economist considers depreciation as a fact, the accountant considers depreciation as an hypothesis. It is true that in some instances the accoutant's hypothesis becomes in reality the economic fact. When, however, an item of capital wealth becomes a "Non-Circulating Asset" before that hypothetical date predetermined by the accountant, the hypothesis of depreciation allocation has ceased to be an economic fact, from the standpoint of the operations of the owner of that asset. The only justification for the continuation of the hypothetical allocation of depreciation is for purposes of determining tax liability. Such depreciation is not a current expense for the simple reason that it does not represent the cost of service currently rendered. Its only ad-

vantage is its ability to render corresponding operating profits of the owner tax-free and to thereby create a condition whereby the owner can realize a "Non-taxable Profit." The "Circulation Theory" in application recognized this feature by considering actual depreciation of "Circulating Assets" as a cost of operations and by considering the continued hypothesis of depreciation of "Non-Circulating Assets" as a transitory item for tax purposes.

In discussing depreciation, the terms "Reserve for Depreciation" and "Allowance for Depreciation" should not be confused. A reserve is not technically a reserve unless some tangible asset or assets are held apart for the purpose of replacing the original asset when it has become useless. The usage of the term has grown more as a matter of custom than as a correct usage of the derivative.

An operating statement, then, that would reflect the true economic costs of operations and further reflect the "out-of-pocket" costs of owning "Non-Circulating Assets", considering depreciation of "Non-Circulating Assets" in their true economic aspect would appear in skeleton as follows:

1. Net direct result of operations, less—
2. Currently accruing costs of owning "Non-Circulating Assets," equals
3. Net earnings, less—
4. Income taxes payable (after considering depreciation of "Non-Circulating Assets" as a deduction in accordance with existing regulations), equals—
5. Net income.

As an illustration, consider the case of a manufacturing concern on whose Balance Sheet appeared the following assets:

Plant, Fixtures, Equipment, etc.	$565,000.00	
Less: Allowance for Depreciation	285,000.00	
Net Value		$280,000.00

By analysis and by appraisal, it was determined the present economic value of these assets *in actual use* in this concern's operations was $70,625.00 The volume of sales, incidentally, had receded over 75% in quantities from the capacity production. These assets, properly reflected on a financial statement prepared by the application of the "Circulation Theory" appear under the following classifications:

FIXED CIRCULATING VALUES		
Plant, Fixtures, Equipment, etc. in use at existing economic values		$ 70,625.00
NON-CIRCULATING VALUES		
Plant, Fixtures, Equipment, etc. at cost	$565,000.00	
Less: Fixed CIRCULATING Values (Above)	70,625.00	
Actual Depreciation and Idle Properties	494,375.00	
Less: Depreciation absorbed	285,000.00	
Unabsorbed Depreciation and Idle Properties		209,375.00
(Total as reflected on Balance Sheet		$280,000.00)

The operating statement as furnished appears in skeleton as follows:

SALES		$550,000.00	
COSTS OF SALES			
Materials	$200,000.00		
Labor	100,000.00		
Direct Burden Expenses	60,000.00		
Depreciation	46,500.00		
Total		406,500.00	
GROSS PROFITS		143,500.00	
EXPENSES, Sales and Administration		150,000.00	
NET LOSS			$ 6,500.00

An analysis reveals that, (1) the direct burden expenses accruing in connection with the ownership of "Non-Circulating Assets" amounted to $11,500.00 and (2) the actual depreciation of property and equipment classified as "Circulating Values" amounted to $7,400.00. This statement recast appears as follows:

SALES		$550,000.00
COSTS OF SALES		
Materials	$200,000.00	
Labor	100,000.00	
Direct Burden Expenses	48,500.00	
Depreciation of "Circulating Assets"	7,400.00	
Total		355,900.00
GROSS PROFITS		194,100.00
EXPENSES, Sales and Administration		150,000.00
DIRECT PROFIT FROM OPERATIONS		44,100.00
CURRENT COSTS OF OWNING "NON-CIRCULATING ASSETS"		11,500.00
NET EARNINGS		32,600.00
DEPRECIATION OF "NON-CIRCULATTING ASSETS"		39,100.00
NET LOSS FOR INCOME TAX PURPOSES		$ 6,500.00

The true economic result of this concern's operations based on the "Circulating Theory" appears as follows:

1. NET DIRECT RESULT OF OPERATIONS		$ 44,100.00
2. Less Currently accruing costs of owning "Non-Circulating Assets"		11,500.00
3. NET EARNINGS		32,600.00
4. Less Income Taxes Payable (after considering depreciation of "Non-Circulating Assets" as a deduction in accordance with existing regulations)	NONE	
5. NET INCOME		$ 32,600.00

In other words, in this instance, instead of an erroneous impairment of capital in the amount of $6,500.00, this concern's capital experienced an enhancement in the amount of $32,600.00. Other considerations being equal a safe credit risk is determined whereas, if the loss of $6,500.00 were considered, the credit risk would have been determined as probably uncertain. From the standpoint of investment credit the loss would cause loss of confidence just as most concerns are now experiencing, whereas the true economic profit should inspire confidence which in turn would greatly enhance this concern's investment credit condition.

However, before the advantages of the "Circulation Theory" can be applied to an operating statement, these methods must first be applied to the financial statement. The entire chart of accounts and the resulting accounting procedure must be revised in accordance with these basic principles of economics. Herein lies the acountant's opportunity to guide business through misapprehensions as to profits and losses and to enable a better understanding as to economic values and their inseparable effect on management.

Of course, some critics will contend that some of these principles are erroneous and that depreciation is an expense regardless of any consideration, but they are the ones who are the last to recognize that readjustments of values must begin at each man's door-step. They must realize that a value is a value only when it furnishes utility. When an asset's utility vanishes, its value flees and returns only with the reestablishment of usefulness.

The rehabilitation of confidence which must precede the early stages of credit re-expansion is decidedly the gravest problem of the trade creditor and it is he who (*Continued on page 27*)

Milwaukee:

Milwaukee, where the N. A. C. M. holds its 38th annual convention from June 19 to 22, is a city of contrasts . . . natural beauties . . . great industries . . . cultural attainments . . . and is next door to Chicago's World's Fair Exhibition.

IN Milwaukee, a city that has been host to thousands of successful conventions is now preparing a most cordial welcome for the National Association of Credit Men during the 1933 annual convention.

Picturesquely situated on the shores of Lake Michigan, Milwaukee has the natural show places of beauty. The many places of interest to every convention visitor are each in a suitable background which adds charm and interest to every feature.

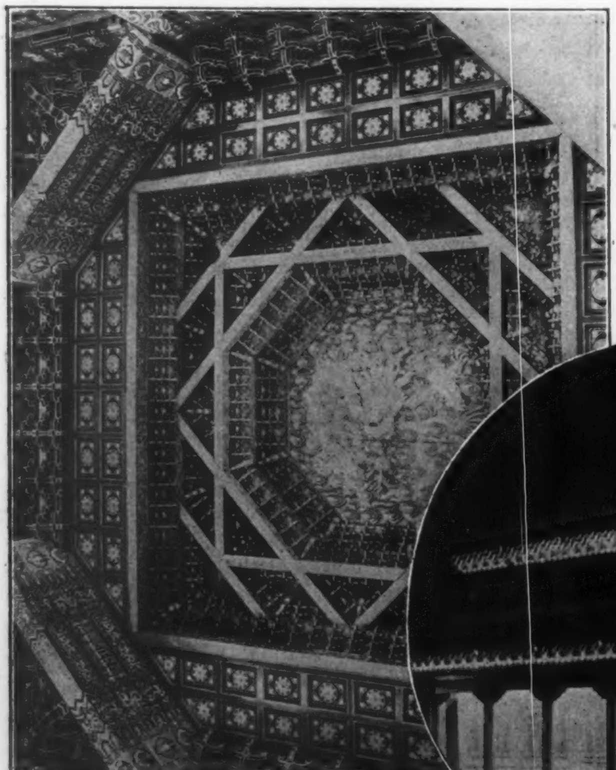
It is very fortunate that Milwaukee has been able to retain its old time hospitality. Few cities known as the metropolitan type have been successful in retaining that friendly neighborly spirit that is found largely in smaller communities, but which is so great a part of Milwaukee's charm.

Through the heart of downtown Milwaukee flows the river of the same name. Its waters teem with commercial crafts, its banks are lined with industrial plants and jobbing houses, but still its beauty has been preserved and the picturesque bridges that span its streams atone for much of the ravages of commerce.

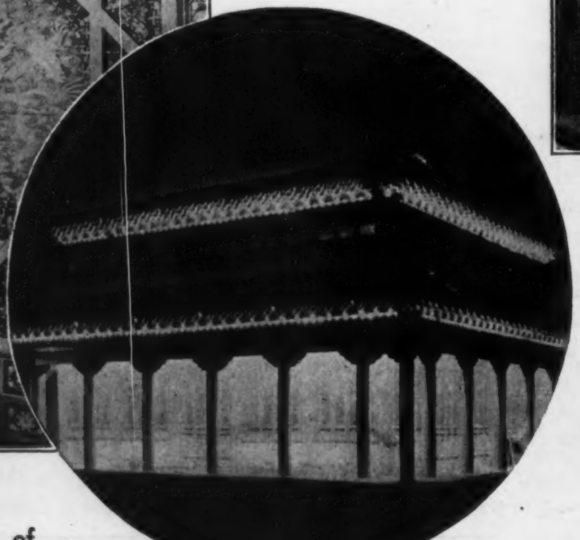
Milwaukee's harbor, one of the finest on the Great Lakes, may be excellently viewed from the Lincoln Memorial Bridge. This massive concrete bridge spans the tracks of the Chicago and Northwestern Railway, and continues on a six mile drive following the lake shore from downtown Milwaukee through Lake Park to East Kensington Boulevard. Other places of interest along this drive are the United States Coast Guard Station, wild life lagoon, Water Tower Park, McKinley Beach and Park, and Bradford Beach.

Milwaukee has one of the largest municipally owned zoos in the United States. It boasts of a large collection of wild animals, birds, beasts, and reptiles from all parts of the world. The zoo is located in Washington Park, one of the many city parks. Some of the features displayed at the zoo are Monkey Island, and a unique goat mountain. A natural bear den has just recently been completed and is a great attraction because it contains bears of all breeds together in one barless den.

The Mitchell Park Conservatory sit-



Illustrations: Top left, ceiling of the Lama Temple, fashioned from thousands of pieces of wood. Lower left, night view of the Golden Pavilion. Right, the interior showing Avalokitecvara, Tibets' patron saint and protector of its people.



Illustrations through the courtesy of "Continental Agents' Record."

N. A. C. M. delegates to the Milwaukee convention in June will have a fine opportunity to combine business and pleasure . . . the convention sessions and entertainment features besides Chicago's Century of Progress Exposition.

convention city

uated in the park by the same name is a mecca for lovers of flowers. Many flower shows are held each year, but at all times the display is delightfully attractive.

The Milwaukee Public Museum is most interesting and instructive in content. Noteworthy among the exhibits are the early American characterizations. Lifelike and lifesize displays show Indian life in early Milwaukee days.

Adjoining the museum is the Public Library which contains 900,000 volumes. This library has grown from 200,000 volumes to its present size in 50 years' time.

Milwaukee has exceptional educational opportunities. Here are located the Marquette University with nine professions, 425 professors and instructors and 5,000 students; Milwaukee Downer College offering degrees in arts, and nursing, and diplomas in occupational therapy and music; University of Wisconsin extension with an enrollment of 3,500 students; Wisconsin State Teachers College; Concordia College; St. Francis Seminary; Mount Mary College; and St. Mary's College.

The public school system includes many high schools, junior high schools, boys' and girls' technical school, prevocational school, a deaf school, elementary schools, and kindergarten and nursery schools.

Members of the National Association of Credit Men and their families attending the great annual convention in Milwaukee will delight in its beauty and

**E. DON ROSS,
President, N. A. C. M.,
Portland, Oregon**

the many interesting features of the city, but they will also be interested as well in its great manufacturing developments, which include some national advertised products.

Milwaukee has the largest manufacturers of steam shovels, dredges, cranes, hoists, concrete mixers, road pavers, motorcycles, refrigerating machinery, electrical controls, silk hosiery, work shoes, wheel barrows, cement machinery and malt. It has produced the largest ore crusher, the largest hydro electric unit, the largest mining hoists, concrete mixers, water turbines, gray iron castings, the largest gas and Diesel engines in the United States.

Metal trades rank the highest among the industries of Milwaukee County, making almost half of the total volume of output, and food products rank second. The leather industry comes fourth, and so on down the line.

Milwaukee is the headquarters for one of the largest tinware and enameling plants in the world and the largest tanneries for upper side leather and calf skins are located there. The city also leads in the production of leather gloves and mittens and flour-milling machinery; it makes more outboard motors than any other city in the world. It ranks third in the manufacture of flavoring extracts, syrups, boots, shoes, knit goods, motor vehicle bodies and parts, paper goods, sausages, signs, and advertising novelties.

Milwaukee was one of the first cities to realize its responsibility in providing adequate facilities for aviation and has been a leader in the development of aviation. It is equipped with a modern airport located five miles south of the city, and a municipal airport three miles from the downtown section. Coast to coast air-rail service with Milwaukee as the gateway to the Pacific Coast is provided by a trans-lake air line operating between Milwaukee and Grand Rapids, which connects with trains to New York and the Pacific Coast.

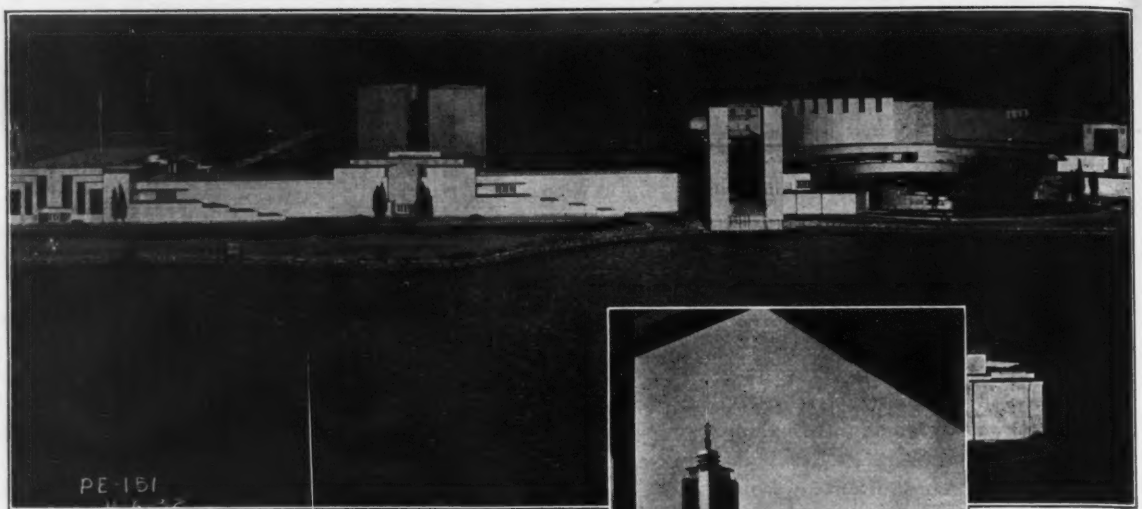
Milwaukee is nationally recognized as a wholesale market of quality and diversity of style. With a trade territory including Wisconsin, Upper Michigan, and several other states, Milwaukee has a fertile field from which to draw. Through constant (*Continued on page 32*)

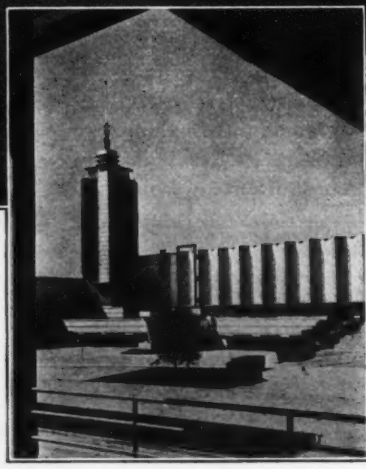
**ERNEST I. KILCUP,
Vice President.**

**A. J. PEOPLES,
Vice President.**

**J. A. BOND,
Vice President.**

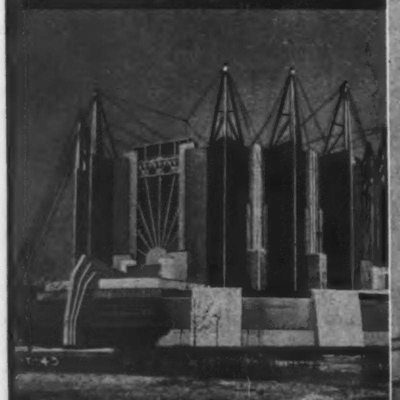
A Century of Progress

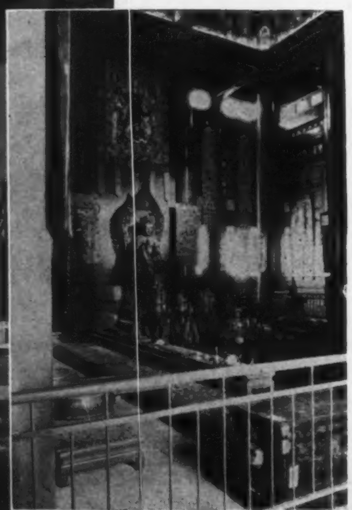


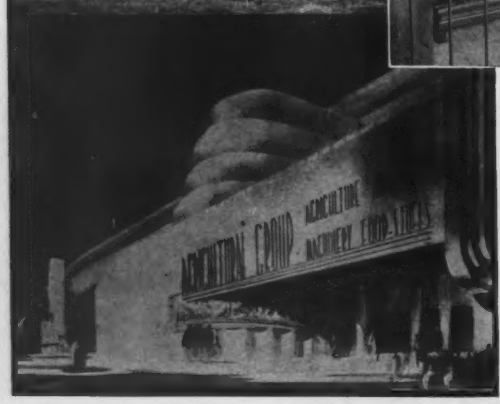


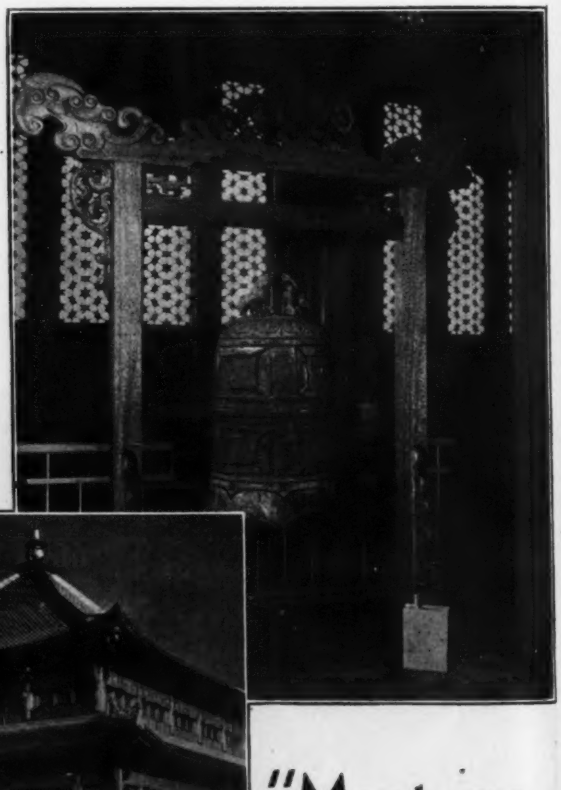
Only 2½ hours from the Milwaukee Convention June 19 to 22!

Illustrations above: A general view and (inset) The Hall of Science. Left: Hall of States (top) Travel and Transportation Building (center) Agricultural Group (bottom) and interior of Golden Pavilion of Jehol (inset). Below: Golden Temple of Jehol (bottom) and bronze temple bell from Ming dynasty (top).









Illustrations through the courtesy of "Continental Agents' Record."

"Meet me in Milwaukee"

Economic Credit Council's branch banking survey

Number answering and type of business: 64

Banking 11 Commercial 32 Manufacturing 21

Unfavorable			7 or 10.9%
East	2	Banking	2
Mid-West	4	Commercial	5
West	1	Manufacturing	0

Favorable			57 or 89.1%
East	17	Banking	9
Mid-west	27	Commercial	27
West	13	Manufacturing	21

Of the 57 favorable, 52 specified the extent of branch banking they favored:

1. To city limits	4 or 8%
2 To state limits, unrestricted by state laws	9 or 17%
3. To state limits, restricted by state laws	10 or 19%
4. To Federal Reserve District limits	29 or 56%

An analysis of the favorable opinions follows:

	City limits	State (unrestricted)
East	1	1
Mid-West	3	7
West	0	1
Banking	0	0
Commercial	3	4
Manufacturing	2	4

	State (restricted)	Fed. Res. Dist.
East	5	8
Mid-West	3	13
West	2	8
Banking	3	5
Commercial	4	13
Manufacturing	3	11

This pithy cartoon of a year ago, timely and prophetic, won the 1932 Pulitzer Prize. It is by John T. McCutcheon.

From "The Christian Science Monitor."

For the defense: the unit banker defends

"The local unit banker has certain authority . . . is a self-realizing business executive interested in his community and the welfare of his patrons . . . guides local enterprises . . . and his place can never be filled under any branch-banking system."

by CHARLES F. ZIMMERMAN, Pres.,
1st National Bank, Huntingdon, Pa.

For reasons best known to themselves, some of the leading men in finance and in Congress have been running ahead and beckoning people of the United States towards the most revolutionary change ever made in their system of banking. But if one will note the sources from which this agitation is being fed, perhaps he will better understand why certain men are wishing to overthrow the historic position of the unit bank along with the constitutional right of each separate state to govern branch banking within its own borders.

These men realize that under United States governance, state laws upholding the integrity of unit banking afford an impregnable defense against the aggressions of branch-bank promotion. They realize also that every reasonable privilege for which they are contending in the name of branch banking as a process, may be bestowed by state law wherever branch banking is or has been determined to be in the public interest within any state.

Hence it is evident that branch banking independently imposed by any sort of federal law—as in Section 19 of the Glass Bill now before Congress—is mere camouflage for setting up a nationwide system of branch banks and for bringing commercial banking more and more under a quasi close-corporation control such as that which now prevails in Canada. The ruling motive is to dominate bank credit of every description in the United States and, incidentally, to have it minister to the purposes of big banking and big business. Despite the fact that the Federal Reserve Act was designed to forestall centralization of banking power in this country, the campaign for centralization has now been taken up in part within the Federal Reserve System itself.

The people of the respective states are, of course, best able to decide about state-wide branch banking according to their peculiar business needs. Equally, they have not asked the federal government to step in and make the extension of state-wide branch banking (absentee banking) the first order of business in every non-metropolitan city and in every town and rural district in the states. On the contrary, the people in nearly all of the states have long recorded their decisive purposes in opposition to any such specious and dangerous program. It is clear, therefore, that Section 19 is merely a way-station.

It would be invidious to refer to those comparatively few men in private life who thus far have endorsed this extremely radical federal proposal. If the lay reader will be but mildly observant, he will find that, for the greater part, they are men who have a stake in holding-company (group) banking, together with bankers and business men whose interests or bank connections center around the distribution of securities. Be it known that these folks are rather gun-shy when they come to the point of asserting that states' rights should be dealt the death blow now prescribed by the Glass Bill. They keep on trying, nevertheless, to bolster their faulty logic by evading this stubborn barrier to Section 19, and by talking about branch banking in purely general terms.

One of the ace-high analogies most frequently cited is the stability of Canadian (branch) banking as compared with that of the United States. This consideration is by no means far fetched. An editorial in a recent issue of the *Saturday Evening Post*, "Lessons Must Be Learned," has given impetus to the Canadian idea. There have been many bank failures in the states; Canada has had none during the prevailing unpleasantness. How much better it would be to have a system of banking patterned after the Canadian system? The man on the street asks: Why not? And those who have been running ahead are to hurried to give him the right answer. *The Post* editorial presents a number of salient facts about the Canadian system, but the writer missed just about every fact on which to base the inevitable conclusion that it is wholly unsuited to the free spirit of the United States commerce and form of government.

One could not wish for a more conclusive method of estimating the relative merits of free banking and controlled banking than by comparing the banking systems of the United States and Canada. We realize that Canada's system of banking is based upon fiats issued with precision and finality from a head office. The Canadian business man, who secures credit at his bank, soon discovers that he is serving a strict master. These credits, the conditions of which are fixed by absentee bankers, have a direct bearing on the economic attainments of the entire people of Canada.

Once the Canadian business man becomes a bank borrower under the banking laws of his country, a heavy hand is laid upon him. He may not deal with another bank or seek to raise funds from any other source, unless he first gets the consent of his creditor bank. Should he do so and be found out by his bank, he is placed on the "black list." He has, of course, no opportunity to deal personally with the actual loaning officer of his bank, except when merely nom-

unit banking

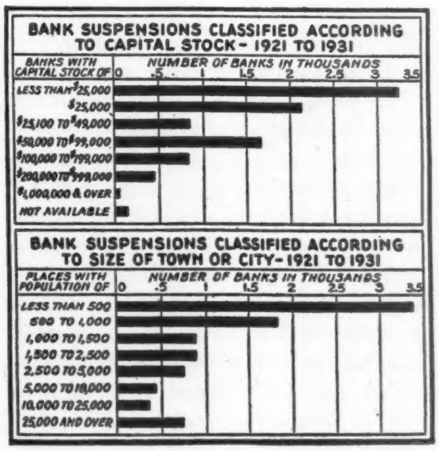
inal amounts are involved. His bank loans can only be of the self-liquidating sort and are not available even in part for real estate or equipment used in the conduct of business.

If he is a merchant, no matter how his stock may change in character, his creditor bank may take title to every bit of it, regardless of other merchandise creditors, in case he fails to meet the bank's demand for repayment. If he is a manufacturer, his stock of goods, raw materials, goods in process, and finished products alike, become the property of the bank in case he fails to pay his note. If he is a farmer, when his grain is delivered to the railroad, the bill of lading becomes the property of the bank; when it reaches its destination and is stored in an elevator, the bank receives the warehouse receipt; and when it is again consigned, the bank receives the draft on the consignee. In all these transactions the bank instead of the farmer has title to agricultural products until the bank loans are paid.

This Canadian banking law, designed primarily to make the banks safe, turns all merchandise into collateral security for bank loans. The real owner of the merchandise or business is little more than a partner whose interests and authority are subordinated to those of his bank. Figuratively, the bank has the right, if it cares to use it, to say "Hands up!" to all other common creditors in the ordinary course of business, and the bank may walk off with their property in the hands of the bank's debtor, should it so decide.

Very naturally, the bank credit system of Canada gives rise to deep-seated animosities and dissatisfaction. It inevitably results in credits being rigidly restricted or loans being called in one section of the country where credit is needed, while at the same time credit is being expanded in another. The particular community thus becomes a mere incident in the minds of the men directing the banks' loaning policies.

Thus it may seem that, as compared with the United States under its common law permitting free credits and granting no autocratic prerogatives and special privileges to banks, Canada is permanently sacrificing her otherwise normal business expansion and national progress upon the altar of unyielding conservatism in banking. Small wonder that the few remaining bankers find it desirable to deal at greater than arm's length with their clientele. They send banking clerks into the distant cities and towns of the country to do their bidding precisely as the local ticket agent serves the trunk-line railroad. Small wonder, too, that Canadian business activities remain more or less stagnated even in good times, and that their smaller communities loudly proclaim their own fully appreciated lack of progressiveness.. All of this, I hasten to add, is not said in criticism but in the spirit of truth telling, as I see it, for the sake of the greater good.



From "The New York Times."

In the United States, the local unit banker may perhaps be lacking in degree, but at least he has certain authority. He is a self-realizing business executive, associated in most cases with a level-headed board of directors. He is interested in his community and in the welfare of his patrons with whom he deals as between man and man. If a local merchant finds himself in difficulty, the banker and his board of directors use every reasonable means at their command to compose his affairs and to give him a new start.

Important community enterprises are largely guided by the local banker. He counsels with leading men on all questions of taxation and civic advancement. Like metropolitan bankers, the local unit banker also makes mistakes; but in proportion, perhaps, not more serious mistakes than are made by them. He accepts in good part the out-spoken criticism directed at him and his bank by those in high places who would have a wiser discretion except for their own ambitions. He is at the very center of those forces which have occasioned the growth and prosperity of his community, and his place can never be filled under any branch-banking system.

Be it said to the credit of Canadian bankers that they know the dangerous elements in their birthright so far as the people of Canada are concerned. They endeavor at all times to be careful and conservative. They continue to be bankers who never take a business chance in support of any business enterprise, even in periods of prosperity. Their banks, larger and smaller alike, never fall in the hands of those who embark in promotion, speculation, or investment banking. They pay very low interest rates, charge very high interest rates, and confine their investments—aside from commercial paper—to government and municipal bonds. Who would be so rash as to deny that the Canadian system has the meritorious quality of stability? So, I submit, has the old farm wagon. But what proportion of American business men would choose to have their business needs stagnate under a remote-control banking system founded on the unromantic, single standard of stability?

In the United States, men do not look to The Crown but to the head and heart and hand of the banker with whom they deal personally. Better for us, they say, that we move faster, even though we sometimes stub toes, take a header, and, perhaps, crack a bone or two. The United States has been getting along fairly well in a banking sense despite the mistakes of her bankers, big and little. And Canada's southern neighbor will, I prophesy, continue to go on, trusting in and upholding and defending the integrity of the home owned and home-managed unit bank.

Canada is potentially one of the richest regions on the face of the globe. Her national history antedates that of the United States. Her latent possibilities in agriculture and minerals are unsurpassed. Yet the United States has seemed to move (Cont. on page 26)

A call to

Change your credit information methods to fit the times. When you sell on credit in these times, you really want to know one thing: will this customer pay me? What then follows? Find out just how he actually does pay his bills.

by MERRITT FIELDS,

Executive Manager,
Indianapolis A. C. M.,
Indianapolis, Ind.

If bankers, manufacturers and wholesalers who read this would only think and *act upon* what follows each could save a minimum of $1,000.00 in the next twelve months. But will they *act?*

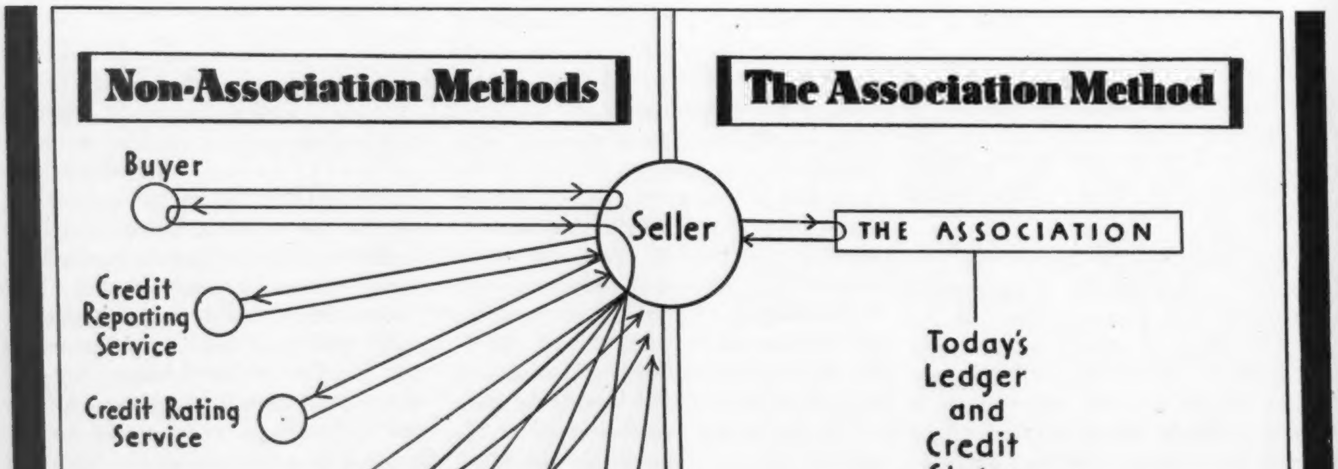
The Department of Commerce investigated 570 bankruptcies to find out why these 570 concerns failed, and to learn what creditors could do in the future to protect themselves. In their order of relative importance, here are some of the reasons for bankruptcy:

1. Unwise granting of credit.
2. Excessive overhead expense.
3. Dishonesty and fraud.

Careless granting of credit to the bankrupts enabled many to start and to continue a business in which failure was inevitable; 350 chief creditors admitted they *did not know* why their customers had failed. Think of that! And think of this: Sixty-eight per cent of these 570 bankrupts had not even completed a high school education; 51% of these 570 bankrupts had no accounting records whatever; the 28% that did have accounting records had wholly inadequate records.

Add up your credit losses for the last ten years. If you had that money now, you would be on Easy Street. But what is a creditor to do? Manifestly, you can't inquire into the causes of all failures, for it is then too late—you have lost your money. What of it if excessive overhead, lack of education, fraud and dishonesty caused you to lose your money? You can't install accounting methods for your customers; you can't educate them; fraud is only revealed after fraud is committed. How are you to know these things when you ship goods? You can't.

Should we pass a law providing for certain educational requirements, a law to regulate excessive overhead of our customers, a law to prevent dishonesty? It wouldn't work, although this Association is attempting to revise the pres-



creditors

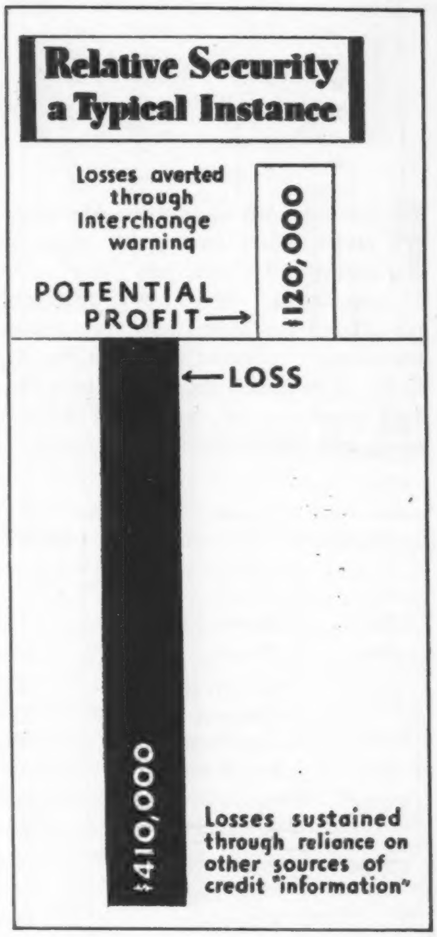
ent Bankruptcy Act so that creditors will get more money.

Creditors extend credit unwisely, sell concerns with excessive overhead expenses, back ignorant and dishonest men and suffer ruinous losses because of the curse of habit; the habit formed in years past of using only ratings and financial statements as the basis of extending credit. We say in all seriousness that the average commercial credit report and financial statement does *not* tell you what you really want to know.

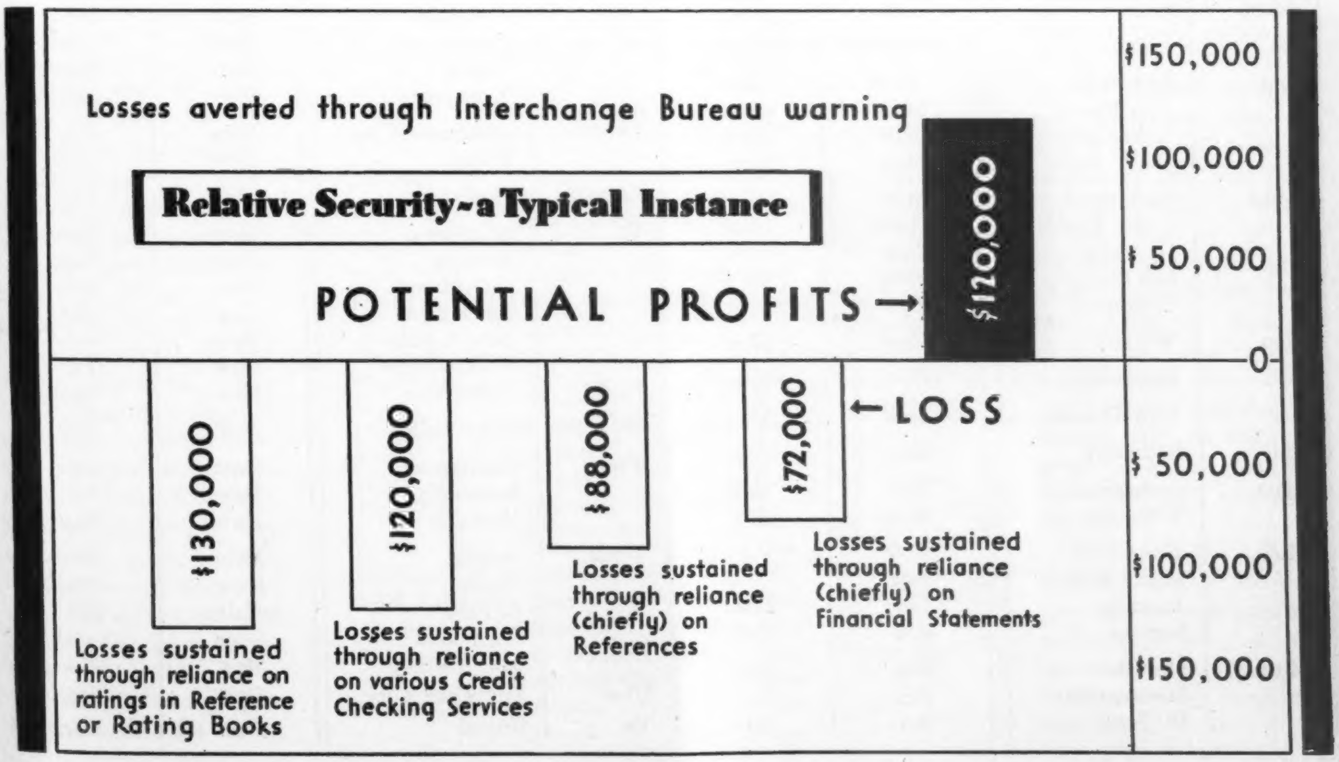
Select any financial statement at random. Here is one showing fixed assets of plant, machinery and real estate of $75,000.00, yet those things could not be sold today for $10,000.00. This same statement shows receivable accounts of $30,000.00. Nobody knows how old they are, what they are really worth. But through force of habit, because a financial statement shows a lot of frozen assets that on paper make some kind of a net worth, credit is extended and of course losses follow, because frozen assets and bad receivable accounts do not pay bills.

Is this credit problem insoluble? No. The solution is simple, plain. Shake off the curse of habit. Change your credit information methods to fit the times, as you have changed other things. When you sell on credit in these dangerous credit times, you really want to know but one thing—will this customer pay me? What then logically follows? Find out how he actually does pay his bills. This is done by learning if he is paying others who are selling him. This is called getting ledger experience, getting the payment record. The Association will give you no "ratings," no financial statements showing "plant, machinery, equipment and real estate," but does give you exactly what you want to know if you can overcome the curse of old habit—we give you a day-by-day record of exactly *how your customer pays his bills.*

This service is called Credit Interchange Service; costs a few pennies per report. We don't think anybody can afford to sell on credit without knowing how his customer pays his bills. This "how he pays" service is ours exclusively. Others publish ratings, distribute financial statements which the debtor prepared himself, tell you the history of the business, but we publish only "how he pays;" exactly what you want to know. Shake off habit; write for details; stop your credit loss! Let us help you!



Statistics for the charts above and below are based on one of the many typical instances recorded in the confidential files of the Association.



Nation-wide collection and sales conditions

What they are at present
The outlook for the near future

CREDIT AND FINANCIAL MANAGEMENT offers its regular monthly survey of collections and sales conditions. It is based upon reports from the associations throughout the country affiliated with the N. A. C. M. The reports are the results of the daily experience of the leading wholesaling and manufacturing concerns operating from these trading centers. The two questions "Are people buying?" and "Are they paying?" are perhaps the most direct and immediate reflection of daily business conditions in the country.

These reports have been tabulated so that you may see at a glance how conditions are reported in various cities in each state, also what cities report a condition of "Good, Fair or Slow." At the end of this summary you will find valuable explanatory comments that have been sent in to CREDIT AND FINANCIAL MANAGEMENT. These additional comments may be pertinent to your interpretation of collection conditions and sales conditions in the cities listed.

State	City	Collections	Sales
Ala.	Birmingham	Fair	Fair
Ariz.	Phoenix	Slow	Slow
Cal.	Los Angeles	Fair	Fair
	Oakland	Slow	Slow
	San Diego	Fair	Fair
	San Francisco	Slow	Fair
Colo.	Denver	Slow	Slow
	Pueblo	Slow	Slow
Conn.	Hartford	Slow	Slow
	New Haven	Slow	Slow
	Waterbury	Slow	Slow
D. C.	Washington	Slow	Fair
Fla.	Jacksonville	Slow	Slow
	Tampa	Slow	Slow
Ga.	Atlanta	Fair	Fair
	Macon	Fair	Fair
Idaho	Boise	Fair	Fair
Ill.	Peoria	Slow	Slow
Ind.	Evansville	Slow	Slow
	Ft. Wayne	Slow	Slow
	Indianapolis	Slow	Slow
	South Bend	Slow	Slow
Iowa	Burlington	Slow	Slow
	Cedar Rapids	Good	Good
	Davenport	Slow	Slow
	Des Moines	Slow	Slow
	Ottumwa	Slow	Slow
Kan.	Wichita	Slow	Slow
Ky.	Louisville	Fair	Fair
La.	New Orleans	Slow	Slow
Md.	Baltimore	Slow	Slow
Mass.	Springfield	Slow	Slow
	Worcester	Slow	Slow
Mich.	Flint	Slow	Fair
	Grand Rapids	Slow	Slow
	Lansing	Slow	Slow
	Saginaw	Slow	Slow
Minn.	Duluth	Slow	Slow
	Minneapolis	Fair	Fair
	St. Paul	Slow	Fair
Mo.	Kansas City	Slow	Slow
	St. Joseph	Slow	Fair
Mont.	Great Falls	Slow	Fair
	Helena	Slow	Slow
Neb.	Omaha	Slow	Slow
N. J.	Newark	Slow	Slow
	Ozone Park	Slow	Fair
N. Y.	Albany	Slow	Fair
	Binghamton	Fair	Fair
	Buffalo	Fair	Fair
	Elmira	Slow	Fair
	New York	Fair	Fair
	Rochester	Fair	Fair
	Syracuse	Fair	Fair
	Utica	Slow	Slow
N. C.	Charlotte	Slow	Fair
Ohio	Cincinnati	Slow	Slow
	Columbus	Slow	Slow
	Dayton	Slow	Slow
	Toledo	Slow	Slow
	Youngstown	Slow	Slow
Okla.	Oklahoma City	Slow	Fair
	Tulsa	Slow	Slow
Oregon	Portland	Fair	Fair
Pa.	Allentown	Slow	Slow
	Altoona	Slow	Slow
	Harrisburg	Slow	Slow
	Johnstown	Slow	Slow
	New Castle	Slow	Slow
	Wilkes-Barre	Slow	Fair
R. I.	Providence	Slow	Slow
So. Dak.	Sioux Falls	Fair	Fair
Tenn.	Chattanooga	Slow	Slow
	Knoxville	Slow	Fair
	Memphis	Slow	Slow
Texas	Austin	Slow	Slow
	Dallas	Slow	Slow
	El Paso	Fair	Fair
	Ft. Worth	Good	Good
	San Antonio	Slow	Slow
Utah	Salt Lake City	Slow	Slow
Va.	Bristol	Fair	Fair

State	City	Collections	Sales	State	City	Collections	Sales
Va.	Norfolk	Slow	Slow	W. Va.	Charleston	Slow	Slow
	Richmond	Fair	Fair		Clarksburg	Slow	Slow
	Roanoke	Slow	Fair		Lynchburg	Slow	Slow
Wash.	Bellingham	Slow	Slow		Parkersburg	Slow	Slow
	Seattle	Slow	Slow	Wis.	Fond du Lac	Slow	Slow
	Spokane	Slow	Slow		Green Bay	Slow	Slow
W. Va.	Bluefield	Slow	Slow		Milwaukee	Slow	Slow

Nation-wide collection and sales comments

ALABAMA: There has been a noticeable pick-up in sales and collections in Birmingham, particularly food products. The outlook is very optimistic.

ARIZONA: Phoenix reports the bank holiday and passage of unsound legislation has had much to do with the slow conditions at this time.

CALIFORNIA: Sales in Los Angeles have improved somewhat. The bank holiday in Oakland made serious reductions in buying and almost stopped payments. San Francisco believes that business is now on the upgrade and a better feeling now exists.

COLORADO: Sales and collections in Denver are slow due to the bank holiday, although a better feeling is now apparent.

IOWA: Cedar Rapids reports sales and collections good.

KENTUCKY: All Louisville banks are open on unrestricted basis and a better sentiment prevails. An immediate upward trend in business is looked for.

MASSACHUSETTS: Collections in Springfield are slow, but the grocery sales have increased 25%.

MICHIGAN: Detroit reports the following: "It seems almost impossible to try and answer your questionnaire on the subject of Collections and Sales, and for once I must decline to do it. You will not be surprised to be told that business here is thoroughly and wholly paralyzed. We have been closed tightly, so far as any banking business is concerned, since February 13th. This large business community is, therefore, in a twisted, hopeless, and paralyzed state. What the outcome of it is to be I cannot assume to foretell."

MINNESOTA: There is some indication of an improvement in sales and collections in Duluth and they are in the slow column by a small margin. Minneapolis believes that aside from the temporary upset resulting from the bank holiday, collections and sales are holding up and confidence has improved. St. Paul reports that collections reflect present financial abnormal condition and will later respond to improvement. Competitive buying seems to be current at this time, but will probably seek a lower level as the limited purchasing power of this market demonstrates itself.

MISSOURI: Collections in St. Joseph have improved somewhat, although collections through country banks have been difficult, due to the fact that several are closed for reorganization. A better feeling now exists due to the rise in commodity prices.

OHIO: Cincinnati reports the following: "General feeling is very good now, as the banks are all open and Roosevelt is raising the kind of "hell" the country needs."

TENNESSEE: Due to the bank holiday, business in Chattanooga is about at a standstill. Sales and collections have fallen off to almost nothing. There is, however, a better feeling of optimism. With the banks reopening, some change for the better is noted in Memphis.

TEXAS: Ft. Worth finds that despite the banking holidays, collections have been exceptionally good, with indications of some improvement with the opening of banks in this section. Department stores report an unusual wave of buying since the opening of banks. Wholesalers and manufacturers likewise report increased buying. With public confidence restored, business recovery is on the way.

VIRGINIA: Norfolk reports the bank holidays have affected both sales and collections. The banks being reopened has been reflected in a large measure to increased volume of sales. Collections are expected to pick up. Preparation of the soil for Spring planting in this territory is well advanced. Severe curtailment in the use of fertilizer is being felt in advanced sales.

WEST VIRGINIA: Charleston feels that now that the banks have reopened, business is on the way up. Some general improvement has been noted in Parkersburg, but during the past week flood-water has caused considerable damage and on that account most of the improvement will, no doubt, be lost.

WISCONSIN: The banking holiday has had its effect on both sales and collections. It has also deferred an anticipated betterment of conditions for March.

Changes since last month's survey

State	City	Collections	Sales
California	Oakland	Fair to Slow	Fair to Slow
	San Diego	Good to Fair	
	San Francisco	Fair to Slow	Slow to Fair
Colorado	Pueblo		Fair to Slow
D. C.	Washington	Fair to Slow	
Iowa	Cedar Rapids	Slow to Good	Slow to Good
	Ottumwa		Fair to Slow
Maryland	Baltimore	Fair to Slow	Fair to Slow
Massachusetts	Springfield	Fair to Slow	Fair to Slow
	Worcester	Fair to Slow	Fair to Slow
Minnesota	St. Paul	Fair to Slow	
Missouri	St. Joseph		Slow to Fair
New Jersey	Newark	Fair to Slow	Fair to Slow
New York	Albany	Fair to Slow	
	Binghamton		Slow to Fair
	Utica	Fair to Slow	Fair to Slow
Oklahoma	Oklahoma City		Slow to Fair
South Dakota	Sioux Falls	Slow to Fair	Slow to Fair
Tennessee	Knoxville	Fair to Slow	
Texas	Ft. Worth	Slow to Good	Fair to Good
Utah	Salt Lake City	Fair to Slow	
Virginia	Norfolk	Fair to Slow	
	Roanoke	Fair to Slow	

"This month's collection letter"

by F. CONE, Macfadden Publications, Inc., New York, N. Y.

Dear Dealer,

GOSH, how we would appreciate your remittance for the July balance. It would certainly brighten up this sad old world.

Sincerely,

MACFADDEN PUBLICATIONS, INC.

The collection letters presented each month in this department are not theoretical model letters. Each letter has been used successfully in actual practice and experience. Only those letters are selected which have brought unusually good returns to their users. By making a few changes in the phrasing of these letters you can adapt them to your own business with the same degree of success that they have brought others.

In order to write an intelligent collection letter, you must know the paying habits of each customer to whom you send a letter. The first prerequisite to successful collection procedure is a Credit Interchange report by the Credit Interchange Bureaus of the National Association of Credit Men. These reports tell you when to collect and how to collect. With Interchange reports before you on each of your accounts, you will attain maximum effectiveness in using the collection letters presented in this department every month.

Send us your best and favorite collection letter for our "collection of collection letters" which we are gathering for readers of CREDIT AND FINANCIAL MANAGEMENT.

A selected series of individual copies of the collection letters which have appeared in CREDIT AND FINANCIAL MANAGEMENT is available upon application to Miss Mary V. Larkin, Manager, Collection Letter Department, CREDIT AND FINANCIAL MANAGEMENT, One Park Avenue, New York.

STORES RECORDS

These folders may help you reduce Accounting Costs still further . . .

1 A quantity and value Stores Record plan by which the requisition is extended and stores ledger posted in one operation. Both are proved in the same operation.

2 This folder illustrates two Stores Record plans that afford accurate, daily stock control— (1) daily balances of stores on hand, available and reserved; (2) a perpetual inventory of quantity and value.

3 This method simplifies Stores Record work where unit requisitions are not used. Posting media for stores, cost or investment ledgers created as a by-product of extending requisitions.

4 A plan for complete daily control of orders in process, with stores record and record of shipments by customers as by-products.

MAIL THIS COUPON

BURROUGHS ADDING MACHINE CO.
6254 Second Boulevard, Detroit, Michigan
Please send me, without charge or obligation, folders numbered________
I am interested also in other folders on the subjects checked below.

☐ Payroll
☐ Accounts Receivable
☐ Billing
☐ Figure Distribution
☐ Accounts Payable
☐ General Accounting

Name________
Address________

IF YOU have reduced accounting expenses to the limit with your present set-up, you may be interested in learning of new and improved Burroughs machines and features—new and improved accounting procedures—which make further economies possible.

In order to make this information quickly available, Burroughs has compiled a series of folders of which these four on Stores Records are a part. There are others suggesting faster and simpler procedures for every phase of accounting.

It will pay you to investigate . . . to compare these new and improved procedures, machines and features with your present set-up . . . to determine what they have to offer you in the way of further economies and efficiencies.

Simply check the folder—or folders—that interest you. Then call the local Burroughs office, or mail the coupon.

Burroughs

Paging the new books

Reviews of the important books on business, to aid executives whose reading hours are limited.

This month's business book

THE MODERN CORPORATION AND PRIVATE PROPERTY. By Adolf A. Berle, Jr., and Gardiner C. Means. The Macmillan Company, N. Y. $4.50.

Two hundred great corporations dominate American business and industry. What is the nature, evolution and growth of these corporations? In whose hands is their actual control vested and how is this control used and abused? What is the practical significance of our corporate structure and these great corporations to the investor, the business man and the general economic welfare of our people? "The Modern Corporation and Private Property" by A. A. Berle, Jr., and G. C. Means is an answer to these questions which concern all of us so much today.

This book is timed perfectly to coincide in subject matter and interpretations with present day developments and trends. Everywhere the question is heard "What is the future of capitalism and all our great corporations". No less an authority than Professor Felix Frankfurter is inclined to believe that our capitalistic and corporate economy cannot last. The authors of this book state that as far as they can see the corporate process will go a great deal further than it has now gone.

This intensely interesting volume is the result of collaboration between a lawyer and an economist. Most of the books that have been published in recent years about the modern corporation have almost exclusively treated corporate organization from its fundamental legal aspects. This book represents a combination of legal and economic thinking and gives one of the truest pictures that has yet been drawn of the advantages and disadvantages of a corporation system such as we have in this country today.

This treatise has been written largely as the result of a study and project which was launched in 1928 by the Social Science Research Council of America and carried on under the direction of the Columbia University Council for Research in the Social Sciences. The authors and their research assistants have, therefore, been able to study the modern corporation in all of its aspects and functions during the boom period of 1928 and 1929 and through three years of depression. No four years in economic history have ever offered such an unusual opportunity for a clinical study of the corporation.

Great emphasis is placed on the "control feature" of the modern corporation. It shows how the management and policy control of the corporation, owned by thousands of shareholders, has generally been held and exercised by an unusually small minority of stockholders. The control of earnings is also analyzed and it is shown how corporate management has been able to apportion earnings more or less at will among stockholders. On all subjects treated, the economic significance as well as the legal machinery and implications is made extremely clear.

"Property in the Stock Markets" analyzes the great economic influence of the stock market as it affects our people through such features as the distribution of stocks and the various manipulations to shift and balance corporation control and holdings. This section has a very valuable chapter on "Flotation and Bankers' Disclosure".

This book is in no sense an indictment of the modern corporation. It is however completely truthful in pointing out the evils that can arise and have arisen in modern corporations. It points out the way the modern corporation must go if it is to survive as a dominant influence and unit in our economic system. The book stands as a distinct service to our country and I can think of nothing that would be more helpful than to have every important official in every one of our large corporations read every page and heed the conclusions that are drawn. Every business man can devote profitably four or five evenings out of any month to a study of the outstanding treatise that Mr. Berle and Mr. Means have prepared.

—Chester H. McCall

Open legislation, openly arrived at

DEGENERATE DEMOCRACY, by Henry S. McKee. Thos. Y. Crowell & Co., N. Y. $1.50.

In challenging, staccato fashion, Mr. McKee sums up our troubles as caused by three things:

1. An incompetent government.
2. An uncontrolled economy.
3. Unemployment.

Incompetence in government, he asserts, is due to our reliance on a committee system, our aversion to power by the executive branch. Mr. McKee is against Congressional control and he makes his opposition very plain. Modification is his cure for our legislative ills; modification of the present plan of government with the executive getting added powers. Dictatorship is far from the author's concept, but control by the executive branch with safeguards is advanced as a necessity.

Lord Macaulay is quoted in this regard: "Armies have been victorious even under bad generals, but never under the command of a committee or a debating club."

Congressional committees, therefore, should be eliminated; cabinet members should be given seats in Congress to aid initiation of legislation and work with Congress. In other words, government should be conducted in the open, not in the secrecy of committee rooms.

One of the fundamentals in our unemployment problem is lack of management of family income, the writer points out. Unemployment he labels poverty and to combat such poverty hereafter, he advocates the teaching of thrift and family management in our schools. "To teach them and re-teach them is certainly the proper office of the state", he concludes in a final sentence.

It is hard to believe that the book was written before, not after, March 4th. It's that timely and prophetic!

—Paul Haase

Among those present:

THE A B C OF TECHNOCRACY, by Frank Arkright. Harper & Bros. N. Y.

Sic transit gloria (?) mundi.

THE PERSONAL FINANCE BUSINESS, by M. R. Neifeld. Harper & Bros., N. Y. $5.00.

Technocracy wanted to give the average man his share of ergs. The personal finance companies, meanwhile, are taking care of our A.M's. supply of eggs—and here is a complete work on this recent development in the American economic scene.

Dr. Neifeld is Statistician of the Beneficial Management Corporation and so has authority to speak of the rise of the finance industry, its economic necessity, and its limitations. Particularly interesting for any credit executive are early pages on the historical growth of loan businesses and credit practices.

CAN BUSINESS BUILD A GREAT AGE? by William KixMiller. The MacMillan Co. N. Y.

It is the author's firm belief that our troubles arise not from "laissez faire" but from too much interference, not from too little but from too much government, not from insufficient but from excessive artificial control.

Bigger and better capitalism is the solution advanced by "Can Business Build a Great Age?", which question, as you already understand, Mr. KixMiller answers with a firm affirmative. To some extent this is a counter attack on the implications of Technocracy, as any militant defense of capitalism would and should be. Then arises the question—How well has the author built his case, refuted the opposition and proven his position?

The answer is plain after you finish his book. He is a courageous, intelligent defender and worthy, indeed, to be heard in the current controversy. His "Commerce Foundation, Inc." is mightily of interest today.

Typographically the book is one of the most pleasing among business books in some time.

WRITE BETTER BUSINESS LETTERS, by Maurice H. Weseen. Thos. Y. Crowell Co. N. Y. $2.00.

A good general book on this subject with particularly pertinent paragraphs on collection and adjustment letters. Handy for reference when the inspirations of the moment are none-too-inspired!

Do you control your collection medium?

by HENRY H. HEIMANN, Executive Manager, N. A. C. M.

It is very important, in these days of rapid financial changes, that the credit executive know the financial responsibility of those to whom he entrusts the collection of his past due accounts. In recent months many collection agencies have become insolvent. The business of collecting accounts is one that permits of operation upon floating items—clients' money. Unquestionably at the moment there are collection agencies which are operating entirely upon the money that is due their clients.

The credit executive should demand a financial statement from any one to whom he entrusts his collection business. The National Association of Credit Men, a voluntary mutual organization, is controlled by credit executives. Those who entrust their business to the local Associations know the exact financial condition of their Association or can learn of it by stepping into the local office. Where our Bureaus are utilized your collections are in your own hands, for you and you alone direct the expenditures of the Bureaus.

I would strongly urge that you concentrate your claims through your own Bureaus so that you can know at all times the exact financial condition of those who are collecting these accounts for you. It is your organization, the profits inure to the improvement of your service, to the upbuilding of your profession. Your bureaus are efficient. At a time like this, particularly, each and every credit executive of the United States should utilize his approved Adjustment Bureau for the handling of his accounts.

Some of the failures of collection agencies during the past few months have been shocking in character. These losses were unnecessary. The credit executive who places claims with such concerns can not justifiably plead ignorance of their financial condition. He had a right to insist upon a financial statement and he should have demanded it. If he does not use his own Bureau, over which he has control, and if he continues using privately owned collection agencies, he should not be heard to complain if he is caught with sizable claims in a collection agency failure.

LOST IN THE BUNGLE, by Edwin M. Otterbourg. Doubleday, Doran & Co., Inc. The Country Life Press. $1.00.

This is an amusing satire of conditions existing in the every-day administration of bankruptcy cases and the extra-judicial handling of insolvent estates. The author has included a chapter of serious comment on the same subjects, as well as the complete text of "Alice in Rankbustland", a satire in the same vein as the new work, published about nine years ago. Federal District Judge John C. Knox adds a scholarly introduction to the author's book.

BUSINESS MAGAZINES. The Public Library, Newark, N. J. $1.00.

A descriptive list of business magazines covering more than 300 publications and arranged alphabetically as well as by subject matter.

New Indiana tax law

The insurance business in Indiana will be hard hit by a new "gross income tax" law, which has been passed by the legislature, signed by the governor and which goes into effect May 1. The law is a combination sales and income tax measure. Most of the burden, judging from the wording of the act, will fall on general agents and employes working for them. However, officials and employes in the home offices of the state will feel the strain, for only $1,000 is exempted from any annual income and 1% charged for more than that. In addition, the general agency must pay a tax of 1% on all gross business done with $1,000 exemption for each year. It is provided that exemptions shall be granted "insurance companies, which pay the state of Indiana a tax upon premiums levied under the provisions of the laws of the state."

Our readers think

I wholly disapprove of what you say and will defend to the death your right to say it.—Voltaire to Helvetius

Generous portion of praise

Dear Sir:

The copy of the February issue of CREDIT AND FINANCIAL MANAGEMENT has been received.

Thank you very much for the attention you have given the findings of the Mercantile Credit Survey. Also let me mention again the very fine send-off you gave the survey when it was started. It was not only the space you gave in each case, which was very liberal, but it was also the form of presentation of the material. The photograph "Help Yourself!" and the idea back of it could not possibly have been improved upon. The heading "Second Helping—By Aiding the Mercantile Credit Survey you Helped the Credit Profession—Now Help Yourself to the Survey's Findings!" is also perfect.

If we can be of service to you at any time, kindly call on us.

W. C. PLUMMER,
Merchandising Research Division
U. S. Department of Commerce.

The answer? very good

Exceptionally well received was the editorial in our February issue entitled "94.60—the answer?"

Permission to use or reprint all or part of it was requested by and granted to:

Peter Pan Dress Co., Inc., New York, N. Y.
Delco Appliance Corp., Rochester, N. Y.
N. Y. Falls Rubber Co., Akron, Ohio
Universal Mills, Forth Worth, Tex.
Waldorf Manufacturing Co., Syracuse, N. Y.
Lee Tire and Rubber Co., Conshohocken, Pa.
Peters Show Co., St. Louis, Mo.
Rockwood & Co., Brooklyn, N. Y.

Some representative remarks follow:

"I was most interested in the editorial as it bears out with specific figures a thought I have been advocating—that tangible assets of the country are enhanced rather than decreased since the so-called 'boom days'."

"We believe this to be one of the best articles that we have seen with reference to the solution of our present economic difficulties. Would it be permissible for us to use this article in the form of a news letter for distribution to our trade?"

"We believe that if the story portrayed in your article could be broadcast throughout all of the selling organizations in this country that there would be a definite and immediate improvement in our economic position. That is the reason that we would like permission to use your article throughout our own organization."

"We have taken stock of ourselves and find that we have gotten into the habit of accepting just what business is given us. We have not urged or stressed sufficiently with our customers the reasons why they should buy."

"We enjoyed reading it very much and feel that in passing it on to our salesmen and dealers, it would be of much value in helping them increase their volume of sales."

"I have been greatly impressed with the article in your February issue, "$94.60—The Answer?", and have sent it to Mayor Marvin of our City whose progressive attitude towards the present situation is well known. I have also taken the liberty of having excerpts from the article multigraphed for distribution to some of our customers and friends who would not otherwise see it."

For the defense

(*Cont. from page* 17) ahead of her northern neighbor in many ways. The entire resources in Canada's ten commercial banks, with nearly four thousand branches, are exceeded by those of the two largest banks in New York City. Again, Canada's total bank resources are exceeded by those of the next four largest banks in New York City. The conclusion is almost forced upon one that the achievements and progress of the United States, in contrast with those of Canada, must be attributed to the inevitable effects of free credits and unit banks as contrasted to the "stabilized" system of bank credits under a thoroughly coordinate centralized control.

May I suggest that the Canadian people might do well to study the American system of banking. Banking facilities in Canada are not only shrinking rapidly, but the whole banking system, in my opinion, has not made for business progress. Whereas there were forty or more branch banks in Canada a few years ago, there are now but ten. Thus it becomes apparent that once a system of branch banking imposed by the federal government were established in the United States, so that it could reach out broadly in designated sections of the nation, the Canadian process of artery-hardening would soon take hold and would not be headed off until a free spirit and the balanced judgment should arise and cast it out.

Men of position and power who persuasively extol the virtues of "branch banking," invariably refer to it in purely idealistic terms. This is but an idle dream and people of the United States are not slow in recognizing it as such. Those who have knowledge of events in the large financial centers, need no warning that federally imposed branch banking would open an era of exploitation, of mismanagement, and of evil practices in finance such as the United States has never seen in all its previous history. Neither do they need to be reminded that the local banker is the most dependable human factor today in the stability and worth of United States commerce, industry, and finance. That is certain.

Yankee individual enterprise will continue its progress in the future as in the past only under free unit banking and the preservation of an unfettered bank credit system. It is admitted that no such system could ever be made entirely air-tight against the shocks of

severe business depression, but in our zeal to correct defects in our conduct of banking, we must not be misled into doing that which would work irreparable injury to home-owned banks, thus making the future progress of local communities a virtual impossibility.

Truthful operating statements

(*Cont. from page* 11) must be one of the first, if not the first, to encourage such confidence. He must as a preliminary measure, assist his customers to find or to know that basis upon which they can operate their business with the greatest degree of confidence and assurance of reasonable success. In most cases, the recognition of the basic principles of economics with the corresponding scaling down of values is a possible solution. This result is made possible by the adoption of the "Circulation Theory" in preparing financial statements and operating statements as a means of securing truthful and adequate information as the basis for the appraisal of credit.

Banking biology

(*Cont. from page* 9) banking management.

Another important factor is the condition of the locality the banker serves. A striking example is the recent bad situation in Michigan. Now let's analyze why the banking situation in Michigan is bad. Most people fail to realize that, compared to Michigan, other states have not suffered in the depression period nearly so severely. Banking in Michigan, in other words, was subjected to tremendously greater stress and strains than banking in other sections of the country. If it failed it would be hard to say whether the failure was due to the unprecedented and abnormal demands and conditions of the state, or whether it was due to poor banking. Perhaps it would be reasonable to conclude it was a combination of both.

Unit banking has been suggested as another solution but wherever unit banking has had to meet demands similar to those that have been forced upon individual units, unit banks have not shown to particular advantage.

National banks have been pictured as possessing greater stability than state banks. This is true, but only for the reason that National banks of necessity must have larger capital structures and perhaps have a higher type of supervision than many state banks. As far as the system of National banks is concerned, where State banks have a high type of management they measure up very well to National banks.

There is one element in branch banking that gives this type of banking a measure of strength. The parent institution is usually located in a city. Now, city banking is different from country banking. If the small country bank did its banking business like the city bank, the small country territory would remain undeveloped, or at least would have a slow growth. Perhaps a slow growth is the ideal way to grow, but this nation would never be satisfied with that type of progress. The city bank doing a different type of banking business and having available certain commercial lines which are self-liquidating and which are denied to the country bank, can be more liquid than a country bank. Because the parent organization of the branch is located in a city it has a more liquid character of banking and consequently more strength. It can loan a measure of this strength to the country unit of its system and tide it over in emergencies. Where a greater control was exercised over the country branch, the country bank itself might be in more liquid position. From a banking standpoint it would do a more conservative banking. From a community standpoint its value as compared to a State bank may be debatable. I do not mean to infer reckless banking is desirable at any time. I merely ask the question "What price ultra-conservative banking."

You can conclude therefore that irrespective of all of the propaganda on the various systems of banking, sound banking, in the last analysis, does not rest upon any particular system. It rests largely upon management, assuming, of course, reasonable regulation and reasonably sound banking laws. Many independent units or individual banks will show a statement that will put to shame any of the branch system or National banks.

Are you in the manufacturing business? Did you experience at any time in the past four years an inventory loss of 20% of your total inventory cost? Your answer is obvious. Of course you did, if you were doing any business at all!

Now think of the banking business. If you had experienced this loss in the banking business, your bank would have its doors closed. It would be insolvent. Indeed, if you lost in the banking business just five per cent of your inventory, your capital and surplus, either or both, would be impaired and in all probability a Conservator would be in charge of your bank. This illustrates the extraordinary care required in banking when it comes to its portfolio of securities and its loans and discounts.

It becomes a matter of personnel and management. Out of this period the need for a careful selection of bank personnel is most evident. It is plain that the authorities must scrutinize more carefully those who would engage in the banking business, and examine into their fitness to qualify as bankers. It also follows that a bank can no longer be used as a dumping ground for the socially prominent youth unless that youth is ready and willing to serve his apprenticeship. In the past, the list of Vice-Presidents of large banks in a great many instances resembled a social register.

Now, in Europe and in other countries a banker's apprenticeship is a long, tedious task, demanding a careful, close, diligent study of banking, and it is only through years of work and labor that an official position in a bank is reached. We would not perhaps demand quite that apprenticeship, but we must insist upon certain (*Continued on page* 33)

Notes About Credit Matters

Credit business of confectionery supply houses analyzed

Nearly 90 per cent of the confectionery purchases of retailers are on a credit basis, and they pay their suppliers in between 50 and 60 days, on the average, according to indications of the Mercantile Credit Survey conducted by the Department of Commerce.

The confectionery (candy and soda-fountain supplies) establishments selling direct to retailers did 90.8 per cent of their total business on credit in 1928, 89.1 per cent on credit in 1929, and 88.8 per cent in 1930, the report shows. Losses from bad debts were 0.6 per cent of total net sales in 1928 and 0.7 per cent in 1930. The larger the volume of sales, it was found, the smaller would be the bad-debt loss percentages. In 1930 losses from bad debts were one per cent for firms with annual sales of less than $250,000 and just half that figure, or 0.5 per cent, for the group with sales over $2,500,000.

Retail establishments, on the average, the report finds, paid their bills to suppliers in 52 days in 1929, and 55 days in 1930. This was the average length of time that accounts receivable were outstanding, indicating collection percentages of 57.4 in 1929 and 54.2 per cent in 1930. However, firms selling less than $100,000 of confectionery annually reported that their accounts were outstanding approximately 60 days in 1929, and 65 days in 1930.

Classifying firms according to geographical districts, it was found that the firms reporting from New England allowed accounts to remain outstanding longer than any geographical section of the country, while the firms reporting from the West Midcontinent had the highest collection percentage, or shortest time for accounts to be outstanding.

Returns and allowances of confectionery establishments were 2.1 per cent of gross sales in 1928, 2.1 per cent in 1929, and 2.5 per cent in 1930. The group of establishments with sales of less than $100,000 annually had the highest percentage of returns and allowances, the averages for this group being 8.4 per cent, 7.6 per cent, and 8.3 per cent in the three years. The larger firms had much lower percentages of returns and allowances.

A small majority of the firms reporting on the subject of credit terms most commonly use "2 per cent 10 days, net 30 days." Many of their customers attempted to dictate terms. Confectionery establishments, with 8.7 per cent, had the highest percentage of customers attempting to dictate terms of any of the nine establishments included in the Commerce Department report. Similarly, confectionery establishments had more customers who attempted to take unearned discounts than any of the other types of businesses covered. The per cent of customers in the confectionery business attempting to take unearned discounts was 15.7. Few customers of the very large establishments attempted to take unearned discounts, and fewer still attempted to dictate terms to the very large concerns.

Copies of "Mercantile Credit Survey, Part 1" may be obtained for 5 cents from the Supt. of Documents, Washington, D. C.

Petroleum group meets soon

The Credit Association of Western Pennsylvania is to be host to a Petroleum Refiners and Marketers Conference in Pittsburgh on Tuesday, April 25th.

All credit executives and sales managers of firms in this industry have been invited to attend from Philadelphia, Baltimore, Chicago, New York, Boston, Detroit, Cleveland, Toledo, Buffalo, Cincinnati, St. Louis, Tulsa and western Pennsylvania.

The program calls for an all day conference beginning in the morning on problems of intense interest to the industry, which will be discussed by men of ability. In the afternoon, accounts will receive attention and credit phases discussed particularly, and in the evening there will be a banquet with entertainment and a speaker of national reputation.

The Conference will be in charge of H. M. Oliver, Executive Manager of the Credit Association of Western Pennsylvania, and the Petroleum Group of that Association, with the co-operation of similar Credit Groups in the other affiliated units of the National Association of Credit Men.

Credit careers

EUGENE S. ELKUS

Few, if any names are know better than that of Eugene S. Elkus of San Francisco, California. Long a prominent and nationwide figure in credit work it is quite natural therefore that he should be one of the first to be introduced to the readers of CREDIT AND FINANCIAL MANAGEMENT, more particularly the newer generation of credit executives.

Mr. Elkus was born at Sacramento, the capitol of California; he was educated in the public schools of that city and started his business career at the early age of sixteen as a bookkeeper in his father's wholesale establishment. His first real business executive experience and responsibility was at the age of seventeen when he was placed in sole charge of a general store in Sacramento as Receiver. In 1898 the business with which Mr. Elkus was affiliated moved to San Francisco. Out of this concern, in 1904, was formed the company of which he is now the head. It is interesting to know that the complete wholesale business of Mr. Elkus' father was placed on a boat and barge chartered for the purpose and moved in its entirety down the river from Sacramento to San Francisco.

Mr. Elkus has been a most influential leader in all credit activities of both the local association and the National Association of Credit Men. The first National Convention he attended was in Cleveland in 1901 where he was the first Westerner ever to attend such a

gathering. Again the year following he attended the Louisville Convention. Mr. Elkus being again the only one in attendance from the entire West, was adopted as a member of the New York delegation with proper ceremonies performed at the Pendennis Club.

He was General Convention Chairman when the National Convention was held in San Francisco in 1921. The year following he was elected as a Director on the National Board and the year following, 1923, he was chosen Vice President and in 1924 elected President of the National Association of Credit Men, a very meteoric career, but not surprising when Mr. Elkus' splendid personality, ability and background of business experience is considered. He has been a very active worker in the Credit Managers Association of San Francisco from its inception, is one of its past Presidents and now serving as a Director. Mr. Elkus is a member of the Western Division Administrative Committee.

Mr. Elkus is prominent in many other organizations. He is a past President of the San Francisco Board of Trade and served as a Director of that body for thirteen years. Has been quite active in Men's Clubs, Boy Scout and other civic work. He is a very prominent Mason, being Knight Commander of the Court of Honor of Scottish Rite Masons. Has served as Master of his Lodge. He also served for several years on the Policies and General Purposes Committee, and is now a member of the Board of Control of the Grand Lodge of Masons of the State of California.

We know of no man more sincere, more willing, more just and more untiring in his efforts to further the influential work of the National Association of Credit Men than Mr. Elkus.

"Auld Lang Syne"

Wichita continues to supply us with interesting details of its early history. Here's this month's tid-bit. It concerns checks and drafts and the discussion took place in the rooms of the Commercial Club on September 11, 1905. "How to pay" is a problem this year as well!

"Mr. Hays moved that the President appoint a committee of five to report upon the advisability of requesting the trade to make their remittances by draft instead of checks. Seconded by McCausland.

"In the discussion that ensued Mr. Hays stated that most of the remitting was done by checks and that the banks charged for collecting same where they were outside of the territory of their regular correspondents. House agreed with the speaker and said that something should be done to induce customers to make their remittances by draft and that along this line a system of education should be begun.

"President Taylor thought that the matter would have to be taken up very timidly so long as Kansas City, St. Joseph and other cities did not exact that form of remittance.

"Mr. Lawrence stated that in his business he received but few checks and that the Eastern houses with whom he did business expected and requested drafts. Mr. Kirk stated that his firm had already taken action and that they notified their customers that in case of remittance being made by check that exchange would be charged.

"Mr. Billingsley dissented from the views of some of the speakers stating that none of us were being hurt and that we might offend some good customer and that competition would not permit of any action along this line. McCausland stated that we would have to use discretion and not send notices to those whom we presumed it would offend.

"Mr. Hays thought that the notifications could be so worded that unfavorable opinion or criticism would be directed not against the individual firms, but against the Credit Men's Association. Motion prevailed and the following committee was appointed—Hays, Billingsley, Redfield, George and Kirk."

Faith in the future

The meeting of the Administrative Committee of the National Board of Directors was held in the National Office, February 17 and 18. Committee Members Kilcup, Peoples, Lyons, Millians and Humphreys were present, as was Mr. Pouch, who is a member of the Advisory Committee. All phases of Association activities were discussed by the Committee and confidence was expressed in the future of the Association. The members of the Committee also expressed the opinion that at no previous time in the history of the Association had there been so great an opportunity for rendering of service to the members and to business in general.

"Meet me in Milwaukee!"
Week of June 19th

History repeated

Glancing over an article recently, we noted that the National Exchange Clubs movement, after early development in various cities, was organized on a national basis in 1917 in the Boody House, Toledo, Ohio. That follows the National Association of Credit Men's development closely for our own organization, after early groups had formed in various places, was established on a nation-wide scale in 1896 in the same Boody House in Toledo.

Monthly statements

Mr. Gardner W. Prouty, Secretary of the Macallen Company of Boston, has a practical method his company has used to determine whether or not its customers require monthly statements from the Macallen Company. Mr. Prouty did not want to discontinue arbitrarily the mailing of monthly statements. A postcard was sent out to all of the Macallen Company's customers, on which the customer was asked to check whether or not he would or would not require monthly statements. Mr. Prouty states that replies were received from approximately 45% who required statements, 25% who did not, and that 30% did not return the cards. The 25% who did not require statements represented fairly substantial savings in postage. Mr. Prouty in concluding his letter said: "We think it would be a good idea before discontinuing sending statements if firms would do as we did—have a 'Literary Digest poll'."

We are indebted to Mr. Prouty for his thoughtfulness in voluntarily sending in this information.

The business thermometer

(*Cont. from p. 7*) document, "has shown that the cover provisions in the statutes of many central banks have not been sufficiently elastic to permit the utilization of reserves for meeting foreign payments to an extent which would be justified in cases of emergency, . . . great advance would be made if legal minimum requirements of gold (or of gold and foreign exchange) were substantially lowered below the customary 33 or 40 ratio."

In the event that this reform were carried through the onus would be upon the Federal Reserve System to replace regulations with statesmanship.

Insurance digest

Inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

Assured needn't read policy

The Appellate Term of the New York Supreme Court has affirmed the decision of Justice T. F. Noonan of the City Court in the case of Skudowitz v. Weed & Kennedy, Inc., in holding that it is not necessary for an assured to read his policy when procured through brokers inasmuch as it is the assured's right to depend upon the skill and diligence of the brokers in getting the proper coverage for him, *The Eastern Underwriter* reports.

The assured brought suit in the lower court against his broker, charging him with negligence in making false statements in an application for residence burglary and theft insurance on personal property in his home, and that by reason of such false statements the insurance company had denied liability for a loss which occurred thereunder. It was when the company refused to pay the loss, giving the defense that the false warranties contained in the application avoided the insurance, that the insured instituted action against his brokers.

Counsel for the brokers made application in the lower court to dismiss the complaint because the assured admitted that he "did not read said declarations (in the application) at the time the said policy was delivered to him," and that his failure to read the application was contributory negligence on the part of the assured.

Counsel for the assured in turn explained to the lower court that the assured did not read the policy because the brokerage concern "represented and held itself out to the public as skillful, capable and diligent in the transactions of all business connected with insurance brokerage matters," and that the assured had a right to depend upon his brokers to read the policy and properly protect him, and that it was unnecessary for him (the assured) to read the same when delivered to him by his brokers.

In the application attached to the policy the assured warranted that the building occupied by him was a private residence, occupied solely by the assured. In the complaint the assured claimed that the brokers knew this warranty to be untrue, in that his residence was a two family house, and that another tenant occupied part of it. It was also claimed that the brokers knew this because they had secured a liability policy for him, in which the premises were correctly described, and that they made the declarations in the application for burglary insurance without the assured's knowledge or consent.

The lower court held that the complaint stated a good cause of action, and its decision, affirmed by the Appellate Division, holds that the fact that the assured did not read the declarations was not sufficient ground for declaring him guilty of contributory negligence.

Syracuse check-up

Mr. H. C. Little, Assistant Treasurer of the Excelsior Insurance Company of New York, Syracuse, New York, has advised us that the Syracuse Fire Department made the following inspections in Syracuse during 1932: "10,919 Regular Inspections, 209 Reinspections, 15 Buildings declared fire hazards and torn down, 18 Buildings unlocked, boarded up at our request, 266 Gasoline stations inspected, 570 Gasoline stations reinspected, 240 Garages inspected, 540 Garages reinspected, 441 Dry Cleaning establishments inspected, 594 Dry Cleaning establishments reinspected, 19 Gasoline bulk plants inspected, 76 Gasoline bulk plants reinspected, 220 Vacant buildings inspected, 729 Gasoline pumps inspected, 414 Complaints investigated, 119 Restaurants inspected, 6 Restaurants reinspected, 137 Gasoline pumps found leaking, 137 Gasoline pumps repaired, 357 Pits under gasoline pumps, practically all have been filled in. All theatres checked as to the seating capacity and visited regularly, also men detailed as cases warranted."

Resolution on fire loss

By unanimous action the executive committee of the National Board of Fire Underwriters at a special meeting held in New York approved the recommendation that the payment of all losses on all classes of risks in excess of an aggregate loss to assured of $100 be withheld for a period of sixty days after proof of loss unless otherwise provided by the policy or by state statute. This recommendation does not apply, however, to losses arising out of the earthquake in southern California.

The resolution of the National Board executive committee likewise states reasons why loss payments should be withheld, the principal one being that a sixty day waiting period will give companies an opportunity to investigate claims for evidence of fraud and arson. Following is the complete text of the resolution:

"Whereas, it has been demonstrated in this and previous periods of economic depression that an unusually large number of suspicious losses have occurred; and

"Whereas, it is evident that the customary immediate payment of losses in such circumstances tends to encourage arson, incendiarism and fraud and so is against the public interest; and

"Whereas, it is the public duty of insurance companies to discourage such criminal activity; and

"Whereas, from time immemorial the necessity of a period for investigation of losses has been recognized in insurance contracts; now, therefore, be it

"Resolved, that the National Board of Fire Underwriters deems it advisable that the payment of all losses on all classes of risks in excess of an aggregate loss to assured of $100 be withheld for the period of sixty days after proof of loss unless otherwise provided by the printed conditions of the policy or by statute.

"It is not, however, deemed advisable that this practice apply to losses arising out of the catastrophe in southern California on March 10, 1933."

Quite simple

Jones: "That's a wonderful follow-up system you have there for collections. Where did you come across it?"

Brown: "Just saved the letters my boy sent me while at college and adapted them to my business."

"Meet me in Milwaukee!" Week of June 19th

The wholesaler speaks his piece

third in the series
by BRACE BENNITT, N. A. C. M.

I am a wholesaler. I have been an officer in my business for twenty years. Our house has always aimed at honest dealings, quality products, good service, and standard price to all our customers. Up until the past few years we had made a reasonable profit for our stockholders. Of late, however, I have been considerably worried about the course our business is taking. I have been engaged almost continually in analyzing our business, but up to a few days ago no real good had resulted.

Our bank suggested we analyze our accounts receivable. The credit manager, the sales manager and I have been doing this for the past few weeks. There were a lot more customers on our books because a few years ago we enlarged our territory and put our line in many more stores. However, our profits were fast vanishing and even our volume much less—in spite of so many more accounts. I found many more past due than there used to be. It looked like we had more quantity and less quality. I kept missing familiar names from the ledger sheets—good customers of many years' standing. The Credit Interchange reports showed these firms were still in business and the sales reports showed calls but no recent orders. I wasn't satisfied. These men were still in business so they were now buying somewhere else.

I decided to get the picture first hand. I packed my bags—but didn't need to go beyond the first stop.

He was a good retail merchant in a comparatively small town. Had been in the same business twenty years. I had known him when I was traveling on the road. I could see that he was not at all satisfied with the present condition of his business. When I brought up our loss of his good business he frankly laid his cards on the table.

He related the normal growth of his business and of his community. He showed me the results of his business in previous years when his store alone had handled our line of goods in his neighborhood—and then in recent years when we had been selling four accounts in the same locality. He knew that some of his competitors were considerably in arrears with my firm while he so far managed to pay his bills promptly. He stated that he could meet normal competition, but not the competition that seemed to be given him by the people from whom he bought goods. He further told me that as far as possible he was buying his goods from houses which had a standard credit policy.

My talk with this good retailer awakened me to the fact that my firm's responsibility did not stop at quality merchandise or good service, but included a square deal in finance and credit. We had overlooked the interests of our good accounts and had spent our time in obtaining additional outlets—often outlets of questionable value. We had been seeing how many accounts we could add —not how much more profitable business we could get from the good customers.

I came to the conclusion that I was going to put my house four-square with our good customers, as not only the right but the profitable thing to do.

Back home I got together some of my cronies in the wholesale field and also in the manufacturing field, because the matter was just as much a problem with the manufacturers as with the wholesalers. I told them of my experience and found they all had the same problem, except a few, who appeared to have a better run of business and profits than the rest of us. Practically every one of these more successful firms told us of their willingness for the other fellow to have the weak account—of their spending more time with the good outlets—of the resultant decrease in their receivables and the healthier condition thereof—of, perhaps, a little less volume but more profits—of a rather systematic manner of watching the interests of their customers and working with them.

My industry has become pretty well organized now. I think we are well on the road to more profits for ourselves and for our good customers. Our working together has also eliminated fear of faulty competition and created confidence in each other. I have written all our customers, stating that our firm from now on is going to maintain uniform credit policies. Many others, manufacturers and wholesalers alike, are doing the same. We are also having our credit managers meet periodically and discuss problems of mutual interest, not only for the protecion of our accounts receivable, but for collective deliberation in helping the deserving retailer meet his own problems. We Presidents sit in occasionally, and not only personally profit thereby, but add our influence in this constructive work.

It is a great satisfaction to feel sure that now what we lose to each other is not by competition in credits, and that we are insuring the continuance in business of our profitable outlets—the good customers.

Milwaukee—convention city

(*Cont. from page* 13) effort, and satisfactory service and the manufacturing and selling of merchandise of the highest quality, the city has become the supply depot as well as the clearing house for this area.

Today this great metropolis, Milwaukee, invites every member of the National Association of Credit Men to Milwaukee this Summer, to enjoy the hospitality of this friendly city. You cannot help but enjoy this pleasant city, and no more opportune time has ever been presented for a perfect convention trip.

Either before or after attending the convention, plan to spend your vacation in the beautiful Land-'o-Lakes region of northern Wisconsin of which Milwaukee is a most delightful gateway. More than 9,000 inland lakes are scattered throughout this district and every type of amusement is offered.

Milwaukee credit men are putting a great deal of time, working toward the success of the convention, and Milwaukee people too are eager to contribute to the entertainment of the convention visitor. The spirit of hospitality which prevails in Milwaukee is evident the minute the visitor arrives in the city, and the first impression is a lasting one.

Banking biology

(Cont. fr. p. 27) fundamentals in the personnel of our bankers and special training to insure fitness. Beyond this we need fewer banks, although we have not yet reached the point where we want only ten or fifteen banking units in the country. The Bank Examiners of the various states, if State banking is to survive, and the Comptroller, must survey very carefully the need for a banking institution before a charter is granted. There must also be a higher minimum capitalization requirement for banking institutions.

It is questionable whether a banking institution at any place in the United States should have a capital less than $50,000 as a minimum and $100,000 might be preferable. But you must go further than that. A stockholder in a bank must understand his double liability. He must know of the double liability at the time he subscribes to his stock. This should be collected in advance, and the 100% additional payment on account of an original stock subscription in a bank should be deposited with public authorities, invested in public bonds with the interest return paid to the stock-holder but the principal immediately available for the depositors of a closed bank.

We speak of guarantee of bank deposits. This would bring to banking even poorer management than we have today. In the end it would cost the government billions of dollars, and would bring the banking industry further chaos. But there is a possibility of some mutual protection that might be developed through the advance prepayment of original bank subscriptions. These could go into a fund that would be administered by public authorities, and those funds, together with the reserve funds of the Federal Reserve Bank, might in some businesslike way act as a partial insurance. Certainly they might serve as a liquidating fund in closed banks. What is meant by that? Simply this, that with the figures at hand and with the personnel of banking supervisors and inspectors it should be an easy matter to determine upon the closing of a bank the approximate amount that the bank will pay its depositors in liquidation. Suppose a fund were on hand to make available immediately to the depositors two-thirds of this probable liquidation.

The business of the community, which always suffers from a closed bank, would not then be paralyzed. Each and every depositor would have at his command immediately a portion of his banking funds. The general reserve fund would not suffer because the payment would be limited to two-thirds of what a reasonable calculation would show the bank to liquidate. If errors of judgment of more than 33% occurred, then the supervision and appraisal would in itself be such a farce that it might as well be entirely eliminated.

Another conclusion from our recent banking experience is that the liability of Directors must be brought home. The Directors must be acquainted with the fact that they are assuming a measure of liability when they accept a bank Directorship. Stricter regulation in this respect is needed. (Cont. on p. 34)

In the modern office

An idea and experience exchange on equipment, system and management in the modern credit and business office.

Simple touch typing method by Royal

An unusually simple new method of learning touch typing has just been developed by Michael Lipman, versatile New York artist, writer and designer, and is being distributed by the Royal Typewriter Company, Inc., exclusively with its machines. It is claimed that this new method radically simplifies the process of learning. In the course of exhaustive tests conducted by the Royal Typewriter Company before the system was made available, one novice, practicing an hour a day learned to write twenty-five to thirty words a minute within a week. The Lipman system consists of a chart as illustrated, a keyboard chart and a simple explanation. Two projecting strips, carrying respectively the keys to be struck with the fingers of the right hand and left hand are readily detached and slipped over each hand, where they are held fast by electric bands fastened to strips. In this position the letters to be struck by each finger are shown on the card immediately above the appropriate finger. By simply resting the fingers on the guide keys and practicing short phrases or sentences the eyes following the letters indicated on the card, a novice quickly learns to typewrite properly and with a reasonable degree of speed, and in a very short time the guide cards can be discarded. No elaborate practice material is given, as Mr. Lipman feels that simple, extemporaneous keyboard practice, followed by practice with any material convenient, such as letters, newspapers or magazine articles or advertisements, etc., is simpler and just as valuable as any elaborate formal practice material.

Portable visible book unit

The new portable leather Vandex visible unit, made by the Automatic File & Index Company, Chicago, Ill., has features of unusual interest. As many as six leaves can be inserted. One standard Vandex panel is attached to the front cover and one to each side of the leaf or insert. Thus an operator may stand a visible book up in front of her without fear of the book falling over or the leaves collapsing, and read the information from the open book while it stands on her desk. This convenient visible book has proved profitable for dealers and is a useful unit for the customer. It is inexpensive.

Ediphone guarded from dust and dirt

The Pro-technic Ediphone has nothing whatever to do with technocracy except that it is one device more to make an existing device better, says "Office Appliances."

The Pro-technic Ediphone, for instance, is a completely inclosed model which the Edison laboratories have made a thing of beauty in harmony with modern office surroundings. The Pro-technic Ediphone, standing thirty-four inches high, is altogether inclosed. The color, technically called neutral, is a smoke gray and was decided upon after considerable research. It blends with any type or color of office furniture or finish.

Its sanitary and dust-proof construction give it particular appeal. There is not a single opening in the panels of this sanitary design. All accessories are inclosed, providing complete protection from dust, breakage and exposure to heat or cold, yet the arrangement permits the freest action in use. The cover, when lifted, forms a letter tray in which to toss answered correspondence. The mouthpiece of the receiver is inclosed when not in use. "Balanced voice-writing" included in this design, is said to be a new recording principle. Briefly, it is a counter-balancing of the weight of the recorder to obtain a more natural and accurate voice.

Proposed tax in Missouri

Under Missouri Senate Bill No. 291, a sales tax proposal to raise funds for old age pensions, a charge of twenty-five cents would be imposed upon each insurance policy.

Banking biology

(Continued from page 33)

If there has been any one thing that has come out of the present banking muddle it is a realization that there must be a divorce of so-called banking affiliate security companies from the business of banking. The very objective of the affiliate and the bank is at variance. Not only should affiliates be divorced but there should be a regulation preventing a Director of an affiliate serving as a Director of the bank and a Director of the bank having any interest with a security company or affiliate. You can not go contrary to human nature. Assuming honesty on the part of the personnel of all security affiliates and investment houses, it is a well known fact that salesmen are apt to vaunt their own wares and where they have a dominating voice in banking matters, they in effect usurp the control of the banking directorate. A banking directorate should be unprejudiced and at all times work for the interest of sound banking. Where there is an interlocking directorate the bank's portfolio of securities not infrequently is loaded with bonds which will not stand the stress and strain of a severe market reaction, and of a depression period. When the portfolio of a bank is clear most likely the bank's customers have been the victims of high-pressure salesmanship.

There is a need of segregation of deposits in banks. The savings accounts must be segregated from the commercial accounts. If I go to a hotel I assume that I am registering for a day or at least a short time and the hotel knows as much. If I take up an apartment I am bound by a lease for a definite period of time. The commercial accounts compare to the hotel reservation; the savings accounts to the apartment obligation. The savings accounts, in a sense, are warehouses in convertibles. These must be subject to restriction with respect to frenzied withdrawals. If there is to be any financing through the savings accounts, of industries through sound bonds, or of homes, there must be a restriction placed about these withdrawals. Under the present system heavy withdrawals from the savings accounts penalize the commercial accounts and in many instances have resulted in closed banks and commerce. Industry has been automatically checked and everybody has suffered as a result. *(Cont. on p. 36)*

Answers to credit questions

Conducted by Walter C. Foster

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest are printed regularly in Credit and Financial Management. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of law involved.

Liability of endorser of promissory note

Q. *Could notes given us by a customer at Knoxville, Tennessee, whose company is incorporated, and whose president personally endorsed the notes be collected from said president in the event they were not paid at their maturity and the Knoxville bank on which they were made payable should fail to protest them?*

A. Endorsers, as a general rule, are discharged from liability on an instrument when the requisite notice of protest is not given. Accommodation endorsers, which apparently is the instant case, as such, must be notified of dishonor. It is only in instances where the endorser has actual knowledge of dishonor that the giving of notice is dispensed with as a vain and foolish act.

The peculiar facts surrounding the situation are determinative. If here the president of the corporation had actual knowledge of dishonor, as he undoubtedly did, the failure to give notice would probably not operate as a bar to an action against him.

Non-negotiable promissory notes

Q. *Can you ascertain whether any of the larger banks accept non-negotiable promissory notes on business loans made by substantially rated concerns. The purpose would be to prevent the possibility, in the event the loaning bank suspends business, of the borrower who is liable for the amount of his indebtedness, becoming a creditor to the extent of any money that he may have on deposit; in short, it is understood that if a note given to the loaning bank is discounted by the loaning bank, any money on deposit belonging to the borrower would not be a set-off in the event the bank failed.*

A. Non-negotiable promissory notes will not, as a general thing, be discounted by any bank whether the borrower is well-rated or otherwise.

The reason is that a non-negotiable note cannot be discounted with the Federal Reserve Bank. We have inquired among the larger banking institutions in this city, and they explained that they do not ordinarily discount non-negotiable notes. Were banks to adopt the practice of discounting non-negotiable notes, it would destroy the effectiveness of the Federal Reserve System.

E. B. Moran joins National Association of Credit Men

Announcement was made on March 20 that E. B. Moran, until recently Executive Sales Manager of the Bradstreet Company, has joined the National Association of Credit Men in an executive capacity. In making the announcement, Henry H. Heimann, Executive Manager of the Association, said that Mr. Moran will be connected with administrative and promotional developments of the Association.

E. B. Moran is well known in the field of credit and finance, having been active in various lines of credit and association work in the country for a score of years.

Mr. Moran was connected with the Bradstreet Company for four years until its recent merger with the Dun organization. He had previously served with the National Association of Credit Men as Manager of its Central Division with headquarters at Chicago, and prior to that was Director of the Central Credit Interchange Bureau.

Banking biology

(*Continued from page* 34)

One of the things that must be done in banking, as the present period will clearly indicate, is the development of more commercial paper. That is where Europe and the other nations have the advantage of our American bankers. Commercial paper is a self-liquidating security. It is true banking collateral. When banks invest their funds in long-time securities, in effect they become partners in the venture. It was never intended they should. That is not the function of a commercial bank. Given commercial paper in quantity, however, they will invest their funds in this type of self-liquidating paper.

There has been a lack of education, particularly among the country bankers, as to the fine character of commercial paper. Herein obligation rests upon industry to develop commercial paper—such as trade acceptances, bills, seasonable negotiable instruments,—to tide over certain peak demands and which paper is automatically liquidated at the conclusion of a season.

Our present banking system can lay a part of the blame for its difficulties at the door of the efficiency of modern transportation and the rapid development of the nation. In the old days, when we were not on a hand-to-mouth buying policy, there was a seasonable amount of paper always flowing into the bank. This was for the purpose of building inventories. Later, when these inventories were disposed of the commercial paper would be retired. In contrast, in recent years we have been on a hand-to-mouth buying basis, and inventories have been very low, and as a result there has been a dearth of good commercial paper. Now, the bank is in business to make an earning and to be of service. When commercial paper was lacking they went into bonds, and long-term mortgages. The penalty they have paid and that each and every individual has paid, is too well known to require elaboration.

There is, further, a need of widening of rediscount privileges at the Federal Reserve. Some reasonable regulation of legislation in this respect will be most helpful. There must also be a limitation of call loans, and while this will be difficult to control, it is not beyond human accomplishment. Certainly too large a portion of our funds in the past have been absorbed by the speculative fraternity.

There must be a closer coordination in the banking industry itself. The condition of a great many of the country banks today can be laid at the door of the policies of the city banks, particularly those that have had affiliates. The portfolios of the country banks are loaded with bonds sold by affiliates and by security houses which were purchased purely upon the faith that the country banker had in the larger institution or in the security house. The very liquid condition of many of the larger banks is due to the fact that few or none of these securities that are now found in the portfolios of the banks of the smaller cities (*Continued on page* 38)

Court decisions

PURCHASE OF GOODS. TRADE ACCEPTANCE. COMPOSITION. RESCISSION OF CONTRACT. BUYER'S KNOWLEDGE OF INABILITY TO PAY. (CONN.) D'Avanzo, the bankrupt, owned a wholesale grocery business and bought of the petitioner six hundred cases of tomato paste. On November sixth, 1929, the petitioner shipped three hundred and ten cases, and on November twenty-first D'Avanzo accepted a draft, (trade acceptance), for $3,100, the price, and presumably then got the bills of lading. The cases reached New York on the thirtieth and D'Avanzo got possession of one hundred and twenty-five of them on December third. On the fourth, a petition was filed against him and a receiver appointed, who later took delivery of the remaining hundred and eighty-five. On December eighteenth the petitioner, learning of the bankruptcy, demanded the paste of the receiver and later filed a petition to reclaim it. In January D'Avanzo offered a composition to his creditors which was later confirmed, and his property returned to him. The referee reported generally in favor of the petition. The report was confirmed and an order was passed against the bankrupt for the amount of the draft.

Held that if the surrender of documents of title was procured by fraud, the transaction may be avoided and the lien restored to the petitioner. As D'Avanzo paid his bills promptly and by this means had kept up a fictitious credit theretofore, there is some reason to suppose that, had he kept afloat until February fourth, when it fell due, he would have paid the draft. The court could not say therefore that the petitioner affirmatively showed that on November twenty-first he intended not to pay; he may well have meant to do so, if he could go so long. But he must have known that his ability to keep going for ten weeks more was at best a forlorn hope, and his general conduct justifies the conclusion that he thought his end to be not far off. If the buyer himself believes his position to be desperate, and if he understands his promise to mean what it normally would, the seller may rescind. In the case at bar D'Avanzo's affairs by November twenty-first had become so precarious that the petitioner was justified in understanding his acceptance of the draft as a declaration that his ability to pay was not so far compromised as in fact it was. Order affirmed. *California Conserving Company v. D'Avanzo.* U. S. C. C. A., 2nd Cir. (Conn.) Decided January 9, 1933.

ACCOUNTS RECEIVABLE. ASSIGNMENT TO TWO PARTIES. PRIORITY. (MICH.) The controversy results from conflicting claims to priority asserted by two assignees of the same assignor to certain accounts receivable evidenced by installment title-retaining contracts and promissory notes. Appellant is a finance company, organized as a Massachusetts common law trust, and engaged in the business of loaning money upon customer's accounts, and appellee is a Michigan corporation, in the banking business at Bay City. Piggot's, Inc., was, prior to June, 1928, in the retail furniture business, selling on the installment plan. Title retaining contracts were taken from purchasers, who were given possession of furniture pending payment or default. Piggot's obtained from its customers notes, which it discounted with the bank, or assigned to it as collateral security for loans, until on February 29, 1928, the bank held notes of Piggot's customers in an amount exceeding $215,000. In June of that year the finance company loaned Piggot's $15,000 on its promissory note, and as collateral thereto received from Piggot's an assignment of customers' sales contracts, which on their face showed an unpaid balance due of $22,500. Neither the bank, after discounting Piggot's customers' notes, nor the finance company, after taking the installment contracts as collateral, notified the detbors of the respective assignments. When, in November, 1928, dissolution proceedings were begun, followed by bankruptcy, both assignees learned for the first time that the installment sales contracts assigned to the finance company represented the same accounts receivable as were covered by customers' notes discounted with the bank. It was also discovered that five notes discounted with the bank after the loan was made by the finance company represented accounts previously assigned to the finance company as collateral.

Held that when the bank was informed by the finance company that it contemplated a loan to Piggot's on the security of its book accounts, it had no more reason to believe that installment contracts already represented by customers' notes discounted with it would be offered as collateral, than the finance company had to believe that such accounts would be transferred to it. A simple inquiry to the bank would have immediately elicited the information that the two assignments covered the same receivables. There was here no fiduciary relationship between the parties, and in the absence of such relationship it is well settled that where both parties have the same information, or the same means of ascertaining the truth, there can be no estoppel. The case arises in equity, and the court decides it upon the broad equitable maxim that "he who is first in time, is best in right". It follows that of the 88 accounts here in dispute the Bay City Bank, having received the notes in 83 of them prior to the transfer of the installment contracts to the finance company, is entitled to priority to the accounts represented by the latter notes, and the collections made thereon. It must also follow that the finance company, having received an assignment of the remaining five accounts before notes representing them were discounted with the bank, is entitled to priority in such accounts, and to collections made of them. *Commercial Investment Trust v. Bay City Bank.* U. S. C. C. A., 6th Cir. (Mich.) Decided January 10, 1933.

PREFERENTIAL PAYMENT. EVIDENCE. (N. Y.) Schleicher Printing Corporation was adjudicated a bankrupt and a trustee was duly elected and qualified. It was a New York corporation 50% of whose stock was, and since its organization had been, held by its president, Mr. Schleicher, and the remainder by the claimant-appellant. The latter filed an amended proof of claim for $24,876.59. The trustee moved to expunge this claim under Sec. 57 (g) on the ground that claimant had received preferences voidable under Secs. 60 (b) and 67 (e) of the Bankruptcy Act and Sec. 15 of the Stock Corporation Law of the State of New York. The motion was denied by the referee but on review by the District Court this order was reversed to the extent of $1,827.37 and this appeal was taken. The claimant on Feb. 16, 1928, had personally guaranteed the payment of all the obligations of the bankrupt to the Manufacturers Trust Company and this guarantee was in full force and effect when adjudication took place. Included among the obligations the payment of which was so guaranteed was a note of the bankrupt for $2,000.00. On May 23, 1930, the bankrupt transferred to the bank for application upon this note, an account receivable amounting to $1,827.37 which the bank later collected and so applied.

Held that as the bankrupt was insolvent when the transfer of the account was made to the bank and the claimant knew it, there is no doubt whatever that the claimant knew the transfer would effect a preference. Indeed, it is plain from his own testimony that this was exactly what he wanted. He asked Schleicher to take care of his guaranty so he would not "be left" on it. This transfer of the account to the bank resulted in the collection and application of $1,827.47 to extinguish pro tanto his liability on the note whose payment he had guaranteed. To that extent he was the person to be benefited by the transfer. Under Sec. 60 (b), since the amendment of 1910, if the one to be benefited has reasonable cause to believe that a preference will be effected the transfer is voidable. Further, it is undisputed in this case, that the transfer was made within the four months' period of the statute. Decree affirmed. *Matter of Schleicher Printing Corporation.* U. S. C. C. A., 2nd Cir. (N. Y.) Decided January 9, 1933.

Banking biology

(*Cont. from p.* 36) and country districts, and most of which were sold by the city institutions, are held in their own portfolios. They were unwilling to retain them but the banker in the country and rural districts, relying upon the good judgment of the city bank or the security house, purchased these obligations in all good faith. The city bank unquestionably took advantage of the fiduciary relationship. On all security flotations in the future, one definite point should be made, and that is that where the proceeds of the sale of the security in any way is used to liquidate a present bank indebtedness, that fact should be registered upon the circular advertising the security.

Social changes have been responsible for some of the banking losses. Much of the liquid paper that even the country banks could handle in years past is no longer in the market. The small retail and wholesale institutions in the country districts have been supplanted in some instances by the national distributors and chain stores. When the banking weather was fair, these national distributors and chain stores had their deposits in the country banks, but when the statements began to look a little shaky they immediately pulled out these deposits. In the past when the country banks had these deposits from their own merchants they were liquidated on an annual basis. Under the

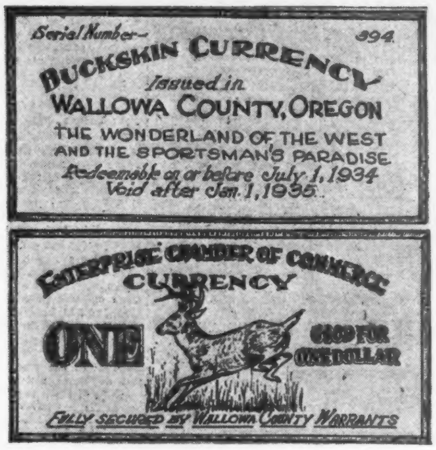
new system the funds that were on hand were presumably rather fixed in character and yet at the very time when the country banks needed all of the cash reserves they could command they were forced to remit the balances of the chain stores and national distributors. This in turn either caused them to become so impoverished for cash as to force them to close their doors, or demand a ruthless liquidation from the citizens of the community.

Bank statements should be made more intelligible. Notes and discounts should indicate, in one column, the amount that was not yet due either as to principal or interest, in the second column those thirty days past due, and in the third column those sixty days past due. It should be necessary to charge off a large portion of those that are sixty days past due. It should also be mandatory upon every one borrowing at the bank to clear his account at least once every eighteen months and the bank examiners should be instructed that where such clearing is not made the banks should be called upon to set aside a reserve in keeping with the risk assumed.

Marketable securities held by a bank should be shown at market price, instead of being grouped under the item of bonds and securities, and valued at cost. Government obligations of course need not be so valued. Make the bank statement so easy of understanding that the average man on the street can know what it is all about, and you will promote better banking. Take the mystery out of banking and you will develop faith and confidence.

Better banking will follow the present debacle. The cost has been tremendous. To my mind, irrespective of what is generally said upon banking systems, the fault lay not so much in the system as in the capacity and management of banks and in the inability of bankers to keep abreast of social and economic changes. We will have fewer banks in the future, and it is preferable that all of them be tied into some more centralized plan of banking, but it does not follow that State banks are doomed or that bad banking systems can not be developed with one central clearing organization.

Finally, one of the most important things for any bank is a knowledge of credit, and the ability to appraise credit. What the banker needs is better credit training and better credit information upon which to base his appraisal. Banking is concentrated credit in the last analysis, and when one is lacking in the understanding of the fundamentals of



This illustration is a reproduction of scrip in use in Oregon. It was sent to us by President E. Don Ross of Portland, Oregon and is only one of many items of interest which arrive from Mr. Ross with pleasing regularity.

his business he can not expect to survive.

I return to the beginning. Let's insist upon the same stability in our banking interior that is evidenced by the banking building itself.

The mantle of "T. R."

by ROBERT E. EDMONSON, Investment-Economist

Important constructive economic significance psychologically lies in a remarkable series of similarities in the lives of Theodore and Franklin D. Roosevelt, some of which "Believe-it-or-not" Ripley pictured in a parallel showing that both graduated from Harvard, were governors of New York State, assistant secretaries of the Navy and Presidents of the United States.

As denoting the material "will to win" in the battle of life, it is noteworthy that, sickly in youth, Theodore rebuilt himself physically; that Franklin, stricken later in life, restored himself to vigor by sheer will power; and that both were lucky to have escaped death at the hands of assassins.

Economic coincidences include the facts that:

Theodore originated "The Square Deal."

Franklin adopted "The New Deal," demanding more honor in business.

A constructive hobby of each—Reforestation.

Theodore was a strong advocate of social reforms.

Franklin ardently supports "The Forgotten Man."

Theodore branished "the big stick" at the "malefactors of great wealth" in the depression of 1907.

Franklin, in his inaugural address, metaphorically shook his fist at the discredited "money changers" of the banks, in the current depression.

Theodore was famous as a monopoly "trust buster."

Franklin is after notorious bank-affiliate investment-trusts.

Theodore knew how to dramatize himself, a quality essential to all effective leadership.

Franklin also displays unusual dramatic power—now needed to consolidate the constructive forces of the country.

Theodore eagerly accepted responsibility.

Franklin shows the same tendency combined with boldness of action.

The crisis calls for statesmanship to unite politics, labor and capital, without the cooperation of which no recovery is possible.

America is uniting behind the new President irrespective of party.

The writer believes such a combination cannot fail if "The New Deal" is also "A Square Deal" in carrying out Franklin D. Roosevelt's fundamental economic recovery pledges of—

(1) A Better Banking System; (2) Sound Money; (3) Drastic Government Economy; (4) Budget Balancing; (5) Railroad Rehabilitation; (6) Reciprocal Tariff Adjustments.

Dare Washington do less? It will do more!

Great prosperity followed "T. R."

Yes! I am optimistic.

"Daily News Record"

Insurance trust

The New Jersey Court of Chancery has decided that the life insurance trust is not subject to claims of creditors after the maker of the trust has passed away. This question has been before the various courts throughout the country with various opinions expressed.

"Some men can be trusted in everything except their judgment."

WILLIAM FEATHER.

"Meet me in Milwaukee!"
Week of June 19th

The frozen account

by WESLEY ANDREWS
Portland, Oregon

If you owe a dollar and pay it,
Who knows how far it will go.
The firm that pays is the firm that stays,
But the firm that don't, must go.

A circulating dime—
Worth more than a dollar hid—
It's the change of change that makes exchange,
And saves the world from a skid.

If the firm you owe pays the firm they owe,
The dollars may come back to you.
Each dollar you start circles 'round the chart,
And pays many bills past due.

The dollar you start goes 'round the chart,
But it stops at the hoarder's till—
You'll have satisfaction with fountain pen action,
"Find enclosed check to pay past due bill".

Such words are grand to a credit man,
Sure, he wants to be your friend,
But wheels run slow with collections low,
Though he knows you will pay in the end.

The value made should be value paid,
Its just like the Golden Rule;
Someone must pay your bills if you don't,
In the end its yourself that you fool.

The duns we sent, and the letters that went,
Each filled with hope you would pay,
Forgotten all blame, as no payment came,
Still hoping your check's on the way.

So pay your account, or pay some amount,
We promise to pass it right on;
Make your little bill, a greet of good will,
That will pass on and on, on and on.

The way to reform a government is to reform the voters.

WILLIAM FEATHER.

"Meet me in Milwaukee!"
Week of June 19th

The Insurance Statement

This approved standardized insurance statement has been originated and published by the National Association of Credit Men to fill a long felt need in the credit and financial field. The National Association of Credit Men, recognizing the paramount importance of sound and adequate insurance coverage, has devised this statement to supplement its large folio of standardized forms. This statement is used by members of the Association to ascertain the insurance set-up of debtor merchants. A reproduction of the form follows:

INSURANCE STATEMENT

OF

____

TO

____

(Form adopted and recommended by National Association of Credit Men)

This statement is submitted to you to supplement our Financial and (or) Property Statement in order that you may accurately judge my (our) insurance coverages for the purpose of extending credit accommodation.

(1) Total Fire Insurance carried $______ On merchandise $______ On buildings $______ On machinery, fixtures and other equipment $______ Blanket Fire Insurance (machinery, fixtures and merchandise) $______ What percentage of total value are you required to carry by terms of policy (co-insurance)? ______
Present replacement value (new) of machinery, fixtures and other equipment insured $______ Present replacement value (new) of merchandise insured $______ Date of last appraisal ______ which showed total insurable or depreciated value of machinery, fixtures or other equipment of $______ List companies with which you carry Fire Insurance, and amounts with each (enter details on reverse side).

(2) Do you carry Business Life Insurance? ______ Amount $______ Company ______
Name of beneficiary ______ Is accident protection provided? ______
How much have you borrowed on Life Insurance? $______ Describe special agreements, if any, covering disposition of principal of policies ______

(3) How much, if any, insurance is assigned or payable to third party? $______ If so, state kind and to whom assigned or payable ______

(4) Do you carry Fidelity Bonds? ______ On what officers or responsible employees? ______
Are Bonds Position, Scheduled or Blanket? ______ Amount $______ Company ______

(5) Do you carry Workmen's Compensation and Public Liability Insurance? ______ Amount $______ Company ______

(6) Have you Liability Insurance on automobiles used in your business? ______ Amount $______ Company ______
Do you insure automobiles used by salesmen or other employees? ______ Amount $______ Company ______

(7) Are elevators insured for Public Liability? ______ For what amount? $______ Company ______

(8) Is Business Interruption Insurance carried? ______ Amount $______ Company ______

(9) Is leasehold interest insured? ______ Amount $______ Company ______

(10) Do you insure against (a) Windstorm or Tornado? ______ Amount $______ Company ______
(b) Riot, Civil Commotion and Explosion? ______ Amount $______ Company ______
(c) Steam Boiler (Explosion)? ______ Amount $______ Company ______
(d) Explosion? ______ Amount $______ Company ______

(11) Is building equipped with Sprinklers? ______ State system ______ Do you carry Sprinkler Leakage Insurance? ______ Amount $______ Company ______

(12) Are you protected by Check Alteration or Forgery Insurance? ______ Amount $______ Company ______
Is Burglary, Pay Roll, or Hold-up Insurance carried? ______ Amount $______ Company ______

(13) Do written portions of all policies covering the same property read exactly alike? ______ (If not, describe exceptions on reverse side of this form) Has a survey of your property and insurance requirements been made and approved by insurance experts? ______ If so, give details and date ______

(14) How much property have you belonging to others for which you are responsible or have assumed liability? $______
How is such property insured? ______

(15) What other insurance, if any, do you carry (Include amounts and companies) ______

The foregoing statement has been carefully read by the undersigned (both the printed and written matter), and is in all respects complete, accurate and truthful. It discloses to you the true state of my (our) insurance coverages on the ______ day of 19____ Since that time there has been no material unfavorable change in my (our) insurance coverages; and if any such change takes place I (we) will give you notice. Until such notice is given, you are to regard this as a continuing statement.

Address ______ Town ______ State ______
Dated at ______ this ______ day of ______
Business engaged in ______
(Name of Firm or Corporation) ______

Signed by ______

SM 3-33